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PROVINCE OF BRITISH COLUMBIA

PROCEEDINGS AND EVIDENCE

IN RE

PACIFIC GREAT EASTERN RAILWAY
COMPANY

TAKEN BEFORE A SELECT COMMITTEE OF
THE LEGISLATURE APPOINTED
MARCH 14TH, 1917



THE GOVERNMENT OF
THE PROVINCE OF BRITISH COLUMBIA

VICTORIA, B.C.:

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1917.

PACIFIC GREAT EASTERN RAILWAY COMPANY.

PROCEEDINGS AND EVIDENCE.

PARLIAMENT BUILDINGS, VICTORIA, B.C., Friday, March 15th, 1917.

Members of Special Committee: J. W. de B. Farris (Vancouver), Chairman; H. C. Hall (Victoria), G. S. Hanes (North Vancouver), J. M. Yorston (Cariboo), W. R. Ross (Fort George), L. W. Shatford (Similkameen), R. H. Pooley (Esquimalt), F. W. Anderson (Kamloops), Secretary.

The initial and organization meeting of the Committee was held in the Members' Room of the Parliament Buildings in the forenoon of the above date.

The official stenographer, afterwards appointed, was not present, and no shorthand notes were therefore taken, but the Secretary (Mr. Anderson) compiled brief minutes of the meeting.

SECOND SESSION.

MONDAY, March 19th, 1917.

Present: J. W. de B. Farris (Chairman), H. C. Hall, G. S. Hanes, L. W. Shatford, R. H. Pooley, F. W. Anderson (Secretary). S. S. Taylor, K.C., appearing for the Minister of Railways; H. A. Maclean, K.C., appearing for the Pacific Great Eastern Railway Co.; J. N. Ellis, appearing for Foley, Welch & Stewart.

The Chairman called the meeting to order at 10.30 a.m.

F. Allbutt, Deputy Court Stenographer, Victoria, was sworn as official stenographer in the inquiry.

The Secretary read minutes of previous meeting held on March 15th, 1917.

The Chairman: Gentlemen, you have heard the minutes; if there are no alterations or amendments, they will stand as read. Minutes confirmed.

Mr. Taylor: I appear for the Hon. the Minister of Railways. I suggest that other counsel who are present should state for whom they appear.

Mr. Maclean: I have already stated that I appear for the Railway Company; and temporarily, at least, I appear for the subsidiary companies.

Mr. Ellis: I appear for Foley, Welch & Stewart. Mr. Davis will be here later on in the inquiry; he hopes to be here on Wednesday morning.

Mr. Maclean: With regard to Mr. Davis, I have a telegram from him—I think it was on Saturday—asking the indulgence of this Committee, as he will not be able to be present until at earliest, Wednesday morning. He is tied up in a case in Vancouver. If you could possibly adjourn this meeting of the Committee until that time, it would be a convenience to him, and I think it would facilitate your work here; it seems to me it is absolutely necessary that he should be present.

Mr. Taylor: I may say that I intend to launch right into the evidence at the very start. My present intention is to call Mr. Tate as the first witness; and I state that so that all parties will know and make their arrangements accordingly.

The Chairman: I may say that we intimated—at least, I did, on behalf of the Committee—that we would not crowd them to-day; but it was also intimated that it is the disposition of the Committee to get on quickly; in fact, our existence is due to the urgency of the situation; but it was intimated that we would not go into the taking of evidence more than should be necessary to-day; we thought perhaps there would be a number of documents to put in to-day. My disposition would be that we must go on to-morrow, giving Mr. Davis one day—in fact, I

understood that is all he would require. And there is this to be said, Mr. Maclean, that the evidence will be transcribed daily, and I presume he will have a copy of it. It is not as if these people were not being represented by distinguished counsel in the meantime.

Mr. Taylor: I may assist in that respect by stating, inasmuch as I am calling Mr. Tate first, that it strikes me that his evidence, and the other evidence that will be called immediately after, will not affect Mr. Pat Welch, as distinct from Foley Bros., Welch & Stewart, and the Company. Mr. Davis appears for Pat Welch in his own separate capacity; that means he appears for him as the contractor. I do not propose going into the question of the carrying-out of the contract of construction to-morrow or the next day. I do not think we will reach that stage by that time; we might not reach that stage this week. I may also say that the Minister of Railways is extremely anxious that this matter should proceed; it is a matter of vital importance. Of course, I also recognize Mr. Davis's position; but, as far as that is concerned, it is a matter for the Committee to decide.

The Chairman: As Chairman, unless the Committee take another view, my disposition would be, this morning, to confine ourselves to formal matters; then to-morrow morning we will go ahead; especially after what Mr. Taylor has said that the matter of Pat Welch, in his individual relationship, will not be reached to-day.

Mr. Maclean: I feel I have said all I can say in the matter.

Mr. Hanes: I do not see why we should not go on and take evidence this morning—as far as it is reasonable to go.

Mr. Taylor: I suggest, as to this morning, that we arrange as to the exhibits first, to see how we are standing there. If you will agree to that, I will state what I would like to have produced.

The Chairman: You are perfectly at liberty to do that; that was the intimation which was given—that we would go ahead and put in documents this morning.

Mr. Maclean: We have here in those big boxes all the exhibits which you have required the Company to produce, with the exception of the correspondence. You have no idea, gentlemen, what labour is involved in the getting together of that correspondence, and what a mass of it there is. The requisition is so extremely general; and it would be practically impossible to bring down here all the correspondence in connection with the construction of the railway from the commencement to the present time. It takes not only money to construct a railway, but apparently a tremendous volume of talk, and correspondence. However, we are getting the stuff together as rapidly as we can, and we are getting new boxes made to bring it here. These were the only receptacles that we had got (indicating boxes in room), and we filled them up. There is some particularly heavy stuff there, or so I would say, from the way the gentleman respired who brought it in. Probably there would be enough there to satisfy my learned friend for to-day—books of the Company, and everything of that kind.

Mr. Ellis: Speaking on that point, I am advised that there are seven boxes already sent on last night from Vancouver; we have some here, and to-night's boat will bring more. On the general question of production I would like to have a very definite idea. As Mr. Maclean has said, the requisition is very broad. The correspondence itself is enormous; and it would really mean that Foley, Welch & Stewart would have to open up their office here, if all this detail were here. The suggestion has been made, and Mr. Davis asked me to suggest it here, that a statement be made up by Foley, Welch & Stewart showing the receipts and expenditures, and the auditors of the Government can check it over; and if the Committee require us, we will bring down the vouchers and cheques, and all the paraphernalia that go to make up this statement.

The Chairman: I think we had better leave that just now. I understand Mr. Taylor is prepared to go ahead, putting in documents now which are available; we will just feel our way along that line.

Mr. Ellis: In the meantime this statement can be prepared, with the suggestion that it be checked over.

Mr. Taylor: Are the other interests willing to consent, if this Committee see fit so to require, that a thorough audit of all these Company's books be made?

Mr. Maclean: Speaking for the Railway Company, such an audit, as I understand it, has already been had at the instance of the Government. Some very capable accountants have been engaged for a long time on the work, and they have gone through all the books of the

P.G.E.R. as far as I understand, and have checked the audit up by an examination of the vouchers; and so far as the Company is concerned, I think we have complied with the suggestion of my learned friend; and I think it would be unnecessary and a mere waste of time to travel over the same ground again.

Mr. Taylor: I am putting the matter in a general way, not as to detail. What I am stating now is this: Are each and all these companies—the P.G.E.R., the P.G.E.R. Development Company, the P.G.E. Equipment Co., and if there are any other—the subsidiary companies, Foley, Welch & Stewart, and Pat Welch, and the Equipment Department—willing to submit their books, papers, vouchers, correspondence, documents, and everything to a full audit and inspection of the Government's representatives, as the result of a report of this Committee? If they have done that already as to one of those Companies, so much the better.

Mr. Maclean: As far as we are concerned, I will shorten matters up by saying that we will be quite happy to submit to such an audit at any time; and so far as I understand it, they already have to a large extent submitted such an audit. If an additional audit is required as the result of the labours of this Committee, they are prepared to submit to a further audit.

Mr. Taylor: Will Mr. Ellis for himself and Mr. Davis give the same consent as to Foley, Welch & Stewart, and Pat Welch?

Mr. Ellis: I am instructed that the statement is now being prepared, and will be ready in three or four days; the suggestion really is that the audit be made on that statement.

Mr. Taylor: I understand that you consent to a full audit such as I have outlined, and an inspection of Foley, Welch & Stewart's affairs, and Pat Welch's affairs, in so far as they affect the P.G.E.R. Co. and the subsidiary companies?

Mr. Ellis: In so far as Foley, Welch & Stewart are concerned, that will be all right.

Mr. Taylor: I would like to have it—excuse me, I do not wish to be offensive, or pin you down at all—I would like to have it definite, so that we get the point settled.

The Chairman: Mr. Davis, as I understand it, is appearing for Pat Welch?

Mr. Taylor: Yes, all right; that settles Foley, Welch & Stewart. I will consider, if the Committee will permit me, just how far that will enable us to dispense with the production of a large number of documents, such as cheques and vouchers, but it will not prevent us from desiring the production of all the following—and I do not intend now to exhaust the list, but they are mentioned so that my learned friends will know what we want—we will want every agreement, everything in the shape of an agreement, contract, or specification between any of the parties named already and the Government; and between those parties and themselves, or any of them; we want all correspondence, and, if the originals are destroyed, the copies of correspondence between the Government, or between any of these companies amongst themselves, or between any officers or employees of the companies, as affecting any of the matters which will be inquired into here. To illustrate: I would expect to have the correspondence of Mr. Welch, for instance, with Mr. Callaghan's divisional engineers, and to Mr. Tate and Mr. Thomas—that is by way of illustration only—Mr. Thomas's correspondence with them; Mr. Tate's correspondence with them; and Mr. Callaghan's correspondence with any of those parties; Mr. Tate's correspondence with Mr. Callaghan; Mr. Thomas's correspondence with Mr. Callaghan; and Mr. Callaghan's correspondence, and all his papers, dealing with the divisional and resident engineers, and theirs with Mr. Callaghan and with each other. That is on the question of estimates; and instructions to any divisional engineers and reports of divisional engineers, or resident engineers, and I would want all the correspondence of Mr. White with any of these parties, or of Mr. Wilson with any of these parties; and any powers of attorney—

Mr. Maclean: You mentioned another name after White?

Mr. Taylor: Mr. Wilson.

Mr. Maclean: Who is he?

Mr. Taylor: Director.

Mr. Maclean: Of the P.G.E.R.?

Mr. Taylor: Director of the Equipment Co. I would want all the correspondence between the Government, or any member of the Government, with these parties, or any of these parties; and I would like to see the minutes of all these different companies—

Mr. Maclean: We have them here, and are very happy to offer them to you for inspection; but, of course, it must be understood that these documents do not go out of our control.

Mr. Taylor: I would like to have them in my own room.

Mr. Maclean: You may inspect them here; they are here.

Mr. Taylor: But this is a public room, though.

The Secretary: I was arranging for a room, a fire-proof room, in which any of these documents handed over could be kept by some one responsible for them.

Mr. Maclean: Even then, the documents require a certain amount of care, so that they will not get mislaid. I am quite willing that Mr. Taylor should inspect them to his heart's content, provided that we retain control of them.

Mr. Taylor: If there is any matter that has nothing to do with this inquiry in any of them, of course you will take my word for it that they will be properly treated.

Mr. Maclean: Oh, of course; but I think they had better be shown right here.

The Chairman: This room (the Members' Room) is at the disposal of the House.

Mr. Taylor suggested that the room next to the Executive Room could be used.

Mr. Taylor: In addition to that list, and as I said before, I do not pretend to exhaust it—we will have other lists if necessary—I would like to know if we can have prepared by either the Construction Department or the P.G.E.R. a cost statement, something like this (exhibiting document). Railroad people, of course, are familiar with these things. Well, I understand there are six divisions of this railway; this is divided into six sections, 1, 2, 3, 4, 5, and 6; under that would be the mileage. Then I would like to have the engineering for each section—the engineering costs—whatever is included in that term. I see by the estimates that you have put in each estimate so much for engineering; it is that item of costs that I want shown.

Mr. Maclean: Do you mean by that, the costs—salaries of the officials?

Mr. Taylor: I want the thing that is included in "engineering" in your estimates; I want this statement to be a reproduction in one sheet, such as this, of all the estimates that have been paid by the Government. Then if you could produce also in a separate sheet, made up in the same way, costs not yet paid by the Government, or not yet paid out of the funds that are provided by these guaranteed securities.

Mr. Maclean: Do these estimates never overlap in the divisions?

Mr. Taylor: No. "Clearing" will be next, divided exactly in the same way; grubbing would be the next; right-of-way would be another; excavating would be the next. We want the whole thing: First, the items; next, the divisions; then under each division will be the mileage contained in each division.

Mr. Maclean: Why not make out a sketch showing what you would require; it would shorten this up—a kind of skeleton statement?

Mr. Taylor: That is a good idea; the understanding being that if there is anything else suggested we would like to have it in our skeleton; if you can make a better segregation, we would like to have it. If you have not already passed a resolution, Mr. Chairman, requiring the Department of Railways to produce all the information that it possesses, and the documents and papers, I would like to have that resolution passed.

Mr. Hall: There has been no resolution so far; we presumed that it would not be required.

Mr. Hanes moved the following resolution: "That the Minister of Railways be required to produce before this Committee all correspondence between himself and the P.G.E.R. and the officers thereof, and all documents received by him from the P.G.E.R. or officers thereof."

Seconded by Mr. Hall. Carried.

Mr. Hall: I desire to move the same resolution with respect to the Development Co.; in fact, it may go in one resolution.

Seconded by Mr. Hanes. Carried.

Mr. Taylor: I would like to ask, Mr. Chairman, that we have the same resolution with regard to the Finance Department.

Moved by Mr. Hall, seconded by Mr. Hanes. Carried.

Mr. Taylor: I understand that Mr. Tate was served with notice by the Hon. Minister of Railways under the "Railway Act," section 283, subsection (5), which enables the Minister to make public the information that otherwise under that section could not be made public; and he has replied to the Minister stating that he did not wish that it be made public. I have spoken to Mr. Tate about it, and he states that he does not mean that anything shall not be made public before this Committee, but otherwise it shall not be handed out to the public. Of course, that does not mean that the gentlemen of the press present, or any person else, cannot use it in

any way they see fit; he does not want it handed out, in other words; it is simply to avoid a precedent being formed. So I wish to make that statement, and Mr. Tate is present and will confirm it, so that it will not be necessary to take further action.

The Secretary: These documents do not come in under my care until they are handed in as exhibits?

Mr. Taylor: I am glad you referred to that. I think it will be absolutely necessary to have some person employed for the purpose of taking care of these documents and seeing that they are kept together after each sitting of the Committee. I understand that Mr. Bullock, of the Railways Department, is willing to do that if he is empowered.

Mr. Hanes: I move that Mr. Bullock be authorized to take over all these records, and to take care of them, and to attend each meeting of the Committee.

The Secretary: I also want a clerk to keep track of these exhibits—some person that I can absolutely depend upon.

Mr. Taylor: He can do that too; and mark them—the same as a Clerk of the Court.

The Secretary: And he is the man who is responsible to the Committee for the custody of the documents.

Mr. Taylor: It will be impossible for Mr. Anderson to discharge his duties to the Committee and at the same time do all this work; I would submit that he be given Mr. Bullock as assistant.

The Chairman: I do not think we can appoint an Assistant Secretary. I do not think it is fair to Mr. Anderson to wish anybody on him without his sanction; I think Mr. Anderson had somebody else in mind himself.

The Secretary: I understand that there will probably be a mass of material that will have to be kept separate. I have spoken to the librarian about a room which is in the most fire-proof part of this building, where such material can be kept. I do not want any other person to have access to the room; for instance, people may want to look over these documents, and there should be some one around there that would be responsible to me.

Mr. Maclean: So far as the Railway Company is concerned, they would be very happy to have Mr. Bullock appointed.

The Chairman: If the Railway Company takes that position, I think that will be the thing to do.

Mr. Hanes moved, and Mr. Hall seconded, "That Mr. Bullock should be appointed to take care of documents and exhibits, and to attend meetings of Committee for that purpose." Carried.

The Chairman: I would suggest that, whatever hour we adjourn to, we start at that hour, or as soon as a quorum is here.

Mr. Pooley: What is a quorum?

The Chairman: Five.

Mr. Taylor: I would ask the Committee to consider the question of night sessions; we cannot accomplish anything much by staying here from 10 to 1; we should sit at night for two hours at least, if it is not too tiresome, I may say. The Department which I have the honour to represent is extremely anxious that we turn on the full power to drive ahead, and get the matter before the Legislature as soon as possible.

The Chairman: I think we had better consider the night sessions at the end of our meeting to-morrow morning.

Meeting adjourned to 10 a.m. Tuesday, March 20th, 1917.

THIRD SESSION.

TUESDAY, March 20th, 1917.

Present: J. W. de B. Farris (Chairman), H. C. Hall, G. S. Hanes, L. W. Shatford, W. R. Ross, R. H. Pooley, F. W. Anderson, Secretary.

The Chairman called the meeting to order at 10 a.m.

The Secretary read minutes of previous meeting held yesterday, March 19th, 1917. Minutes approved.

Mr. Hall: There is one suggestion I would like to make in connection with the minutes. I think it should be stated, when members of the Committee are absent, what time they return,

or what time they come into the sitting; otherwise we might be finding ourselves responsible for the passing of resolutions that we were not present at. I think it is only right to put in the minutes some reference to it, and say the member came in at this stage.

Mr. Maclean: With regard to the transcript of the proceedings, I have been furnished very kindly with a copy by the reporter to the inquiry. I understand that copies are being furnished to the members of the Committee. I suppose that these copies are all being furnished generally by the Government in connection with this inquiry.

(Stenographer Allbutt explained to the Committee that while a number of copies of the record were being prepared, he had not been instructed to hand any copies over to any persons other than the Committee and counsel for the Department of Railways.)

The Chairman: We had better leave that question, I think, until after the meeting.

(Mr. Hall inquired of the official stenographer if, in any previous inquiry, copies of the record had been handed to outside counsel, and it appeared that it had not been the practice hitherto to do so.)

Mr. Taylor: Have the members of the Committee copies of all the Acts? I think they will be found to be necessary. I suggest that we proceed with the evidence of Mr. Tate.

D'ARCY R. TATE, duly sworn by Chairman, testifies, examined by Mr. Taylor, as follows:—

Q.—What is your full name, Mr. Tate? A.—D'Arcy Rupert Tate; I do not use my second name, though.

Q.—You are a King's Counsel? A.—Yes.

Q.—And when you first came to this Province you were counsel for the Grand Trunk Pacific Railway, were you not? A.—Yes.

Q.—Are yet? A.—No, I have no connection with the Grand Trunk Railway or the Grand Trunk Pacific.

Q.—You ceased that connection to commence with the P.G.E.R. when it was incorporated? A.—When the P.G.E.R. was incorporated I think—the first of April, 1912.

Q.—You are now connected with the P.G.E.R. in what capacity? A.—Vice-president and general counsel.

Q.—As a matter of fact, you are the chief man, are you not, connected with its executive and administrative offices? A.—Yes.

Q.—And best able to speak of the matters to be inquired into by this Committee? A.—Possibly.

Q.—You have your main offices in Victoria? A.—Yes.

Q.—Belmont Block? A.—Yes.

Q.—You are familiar with the agreement of the 27th day of February, 1912, or rather the 10th day of February, 1912, being Schedule A to chapter 34 of the Statutes of 1912? A.—Yes.

Q.—Now, following that agreement—I am getting this on the notes, Mr. Chairman, so that the members of the Committee will be able intelligently to follow the matter—following that agreement of the 10th of February, 1912, there was passed chapter 34 of 1912? A.—Yes.

Q.—Confirming and ratifying that agreement? A.—Yes.

Q.—That chapter also contains as Schedule B, an agreement of the 23rd day of January, 1912, between the G.T.P.R. and its branch lines, and Foley, Welch & Stewart? A.—Yes.

Q.—That is Schedule B. I notice that it is dated the 23rd day of January, 1912, prior to the agreement between Foley Bros., Welch & Stewart, and the Government. A.—Yes, that was prior in date as well as in time.

Q.—These gentlemen, Timothy Foley, Patrick Welch, and John W. Stewart, reside where; take Timothy Foley? A.—St. Paul; Patrick Welch, Spokane; Mr. Stewart, Vancouver.

Mr. Maclean: B.C.?

Witness: B.C., yes.

Mr. Taylor: The two first named are American citizens? A.—Yes.

Q.—Mr. Foley has never given this matter any personal attention at all, has he? A.—No.

Q.—Patrick Welch named there is the contractor for the construction of the road? A.—Yes.

Q.—Has Mr. J. W. Stewart ever given the matter much personal attention? A.—Oh, considerable.

Q.—It is fair to say, is it not, that the main matter of administrative work and executive work has been left with you? A.—Of course, General Stewart is the president of the company

and always has been president; he was always present at meetings where important matters were passed upon.

Q.—But what I am stating, is it correct or not, that after all is said and done, you were the main man to deal with the executive and administrative end of the work? A.—Well, I was continuously on the job.

Q.—You formulated its policy subject to the approval, of course, of these other gentlemen? A.—I would say that was done in concert.

Q.—Very well; following that agreement, in order of date, namely, the agreement of 10th February passed by the Act chapter 34, on the 27th of February, 1912, you obtained your Act of Incorporation, which is chapter 36 of 1912? A.—Yes.

Q.—Now, I notice the incorporators are Timothy Foley, John W. Stewart, Patrick Welch, yourself, and two other gentlemen, Donald McLeod and Vernon W. Smith. Donald McLeod is a man very intimately associated with Foley, Welch & Stewart, and has been for a long time; is that not true? A.—Yes.

Q.—And until lately has been in their head offices in Vancouver. A.—Well, he is still.

Q.—Oh, I thought he had joined the Overseas Force. A.—Oh, no, he is there still.

Q.—In what capacity? A.—Representing the firm, and particularly General Stewart.

Q.—In General Stewart's various interests? A.—Yes.

Q.—Where is his office with regard to Mr. P. Welch's office? A.—Winch Building.

Q.—In the same building? A.—Oh, no; the Winch Building.

Q.—The Winch Building? A.—Yes, our building—the P.G.E.R. offices and Welch's offices are in the Welton Block.

Q.—Where is that? A.—At the bottom of Howe Street, and the other offices are at the corner of Howe.

Q.—That is, behind the Winch Building? A.—Oh, no.

Q.—Across the street? A.—Across the street.

Q.—And behind the Winch Building? A.—No.

Q.—Well, I mean, it is farther down that street, near the railway right-of-way? A.—The Winch Building is on the corner of Howe Street.

Q.—Vernon W. Smith was closely connected with Foley, Welch & Stewart at Prince Rupert; he was their head man at Prince Rupert for a very long time? A.—Well, I don't know whether he was their head man or not; he was closely connected with them at Prince Rupert.

Q.—Where is he now, do you know? A.—I do not; I have not seen him for years.

Q.—Next thing in order of date as to agreements, was what agreement? A.—With the Government, do you mean?

Q.—Any agreement at all; what would be the next agreement? A.—I could not say without having some reference.

Q.—Well—— A.—I have not any way——

Q.—I am referring now to P. Welch, an agreement with P. Welch; I am referring to an agreement between Foley, Welch & Stewart and the Company, and an agreement with the Government. A.—Yes.

Q.—Could you tell me when the first agreement of importance, any importance, was made? A.—Well, there was an agreement, of course, made between the firm of Foley, Welch & Stewart and the P.G.E.R. when we incorporated.

Q.—What was the date of that? A.—I could not say.

Q.—Have you a memo. before you that will enable you to follow it in order of date?

(Witness made an inquiry of some one in the room.)

Q.—Whilst Mr. Thomas is out we will go ahead with some agreements. A.—Yes.

Q.—There are some that are not important; on the 10th of July, 1912, there was an agreement between Foley, Welch & Stewart and the Pacific Great Eastern Railway Company; will you produce that, please? A.—Yes.

Q.—Are they not here?

Mr. Maclean: We had them here yesterday; I do not know where they have been put now.

The Chairman: Have you a list of what you want?

Mr. Taylor: These agreements are pretty well known; Mr. Tate has already furnished a list to the Government.

Mr. Maclean: We had better have that box down here.

Witness: Have all the agreements down here.

Mr. Maclean: They had better be here so as to be easy of reference.

Mr. Hall: While you are waiting I will move a resolution; a number of documents that we want I understand are in the Provincial Secretary's Office, not the Department of Finance; so I would move that the Provincial Secretary be requested to produce the estimates, Orders in Council and requisitions attached, and all papers with respect to the progress certificates; (2) the same with respect to the \$6,000,000 loan payments; (3) all the guaranteed securities and mortgage deeds; and the same with respect to the \$6,000,000 payments.

Mr. Hanes seconded the motion. Carried.

Witness: 10th of July, 1912.

Mr. Maclean: It is the agreement of 10th July, 1912, you want now?

Mr. Taylor: Yes.

(Agreements handed to Mr. Tate.)

Mr. Taylor: Before proceeding with those agreements it occurs to me that I would like to have the directors from time to time of the company. A.—Yes.

Mr. Maclean: P.G.E.R.?

Mr. Taylor: Yes.

Q.—Who were the first directors?

Mr. Maclean: Provisional directors, or first elected?

Mr. Taylor: Who were the provisional directors? A.—Foley, Welch, Stewart, myself, Smith, and McLeod.

Q.—When did they cease to be provisional directors? A.—After the incorporation—the organization of the company.

Q.—The date of that, please? A.—I don't know. There was a meeting of provisional directors held on the 8th of July, 1912.

Q.—Yes. A.—At which I was present, and Donald McLeod, in person; and Stewart, Welch, Foley, and Smith were present by my proxy.

Q.—That is, a meeting of the directors. A.—A meeting of the provisional directors, yes.

Q.—That is the 8th of July, 1912? A.—That is the 8th of July, 1912, yes.

Q.—Can you give me the meeting of the shareholders when the directors were elected? A.—10th of July, 1912, meeting of the shareholders.

Q.—They elected directors, did they? A.—Yes, for the Company, the following were elected (referring).

Q.—Who were elected? A.—Timothy Foley, Patrick Welch, J. W. Stewart, D'Arcy Tate—that is myself—McLeod and Smith, they were declared elected.

Q.—Who were present at that meeting? A.—McLeod and myself; and I represented Stewart, Welch, Foley, and Smith.

Q.—Just McLeod and yourself? A.—Yes, and Mr. Thomas, secretary.

Q.—To what time were they directors, that is to the next election, the date of which would be—

Mr. Maclean: 1913.

Witness: That would be 1913; there was a meeting held on the 7th of October, 1913.

Mr. Taylor: That is the meeting of the shareholders? A.—Yes.

Q.—Who were elected directors at that meeting? A.—Stewart, Foley, and Tate were re-elected directors, and Messrs. Frederick Wilson and E. F. White were elected directors, instead of Smith and McLeod, retiring.

Q.—Stewart, Foley, Tate, Wilson, and White? A.—Yes.

Q.—That is only five as against six that we had before. A.—Before that time P. Welch had retired from the Board when he was awarded the contract for the construction of the railway.

Q.—Just a moment; that last meeting you have given is what? A.—7th October, 1913.

Q.—Can you give me the date of Mr. Welch's retirement?

(Mr. Thomas: 23rd September.)

Q.—I suggest that Mr. Thomas stay alongside of you to assist you, Mr. Tate. A.—Yes.

Q.—If he is more familiar with it. A.—On the 23rd of September, 1912, Mr. Welch handed in his resignation as a director and vice-president and general manager of the Company, which was accepted.

Mr. Maclean: At that meeting? A.—Yes.

Mr. Taylor: Will you read the minute, please? A.—Mr. Welch handed in his resignation as a director and vice-president and general manager of the Company, which was accepted. Shall I read on? This left a vacancy on the Board which it was decided not to fill, and on motion of Mr. Stewart, seconded by Mr. Tate, it was resolved that paragraph 1, Article 2, of the by-laws be and it is hereby amended as follows: "The general management of the business and affairs of the Company shall be vested in a Board of five directors. Carried."

Q.—Was any notice given of that resolution prior to the calling of that meeting? A.—There is a clause in our by-laws that all meetings can be held without notice.

Q.—If all shareholders are represented. A.—Of course, all the shareholders were represented.

Q.—Who were present at that meeting? A.—Stewart, Tate, and Welch, in person; Foley, McLeod, and Smith, in proxy, by myself.

Q.—The directors who were elected on October 13th, when were they re-elected or cease to hold office? A.—Well—yes, they have been re-elected from year to year.

Q.—They are still directors? A.—They are still directors.

Q.—We can take it that Stewart, Foley, Tate, Wilson, and White—— A.—Are the present directors of the Company.

Q.—Have been the directors since the 7th of October, 1913? A.—Yes.

Q.—And are still? A.—Yes.

Mr. Pooley: What is the time that Mr. Welch retired—23rd September, 1912?

Mr. Taylor: 7th October, 1913. A.—That is when they were elected.

Mr. Hall: For the purposes of correction, I have a note 7th of October, 1912-1913.

Witness: 1913.

Mr. Taylor: Very well, now, will you please produce the agreement of the 10th of July, 1912, we were referring to? A.—I have it with me.

(Produced to Mr. Maclean.)

Mr. Taylor: This is an agreement reading as follows: 10th of July, 1912. I will abbreviate it—an agreement between Foley, Welch & Stewart, doing business as Foley, Welch & Stewart of the first part, and the P.G.E.R. of the second part; Foley, Welch & Stewart are called the firm: Whereas the firm on the 10th of February, 1912, undertook an agreement with His Majesty the King and an agreement with Sir Richard McBride, whereby the firm covenanted and agreed with His Majesty the King that the Company would, when incorporated, construct, maintain, and operate works to be operated on a line of railways, etc.; and whereas it is expedient formally to assign to the Company the said agreement and all the rights of the firm thereunder: Now, therefore, this indenture witnesseth that, in consideration of the sum of \$1 of lawful money paid by the Company to the firm, the firm hereby assigns, transfers, and sets over to the Company all its rights, and so on; and the Company hereby agrees with the firm to assume and perform all the obligations to be assumed by the Company under the provisions of this agreement. Signed by the respective parties. That will be marked by the Secretary.

Mr. Maclean: We will call that Exhibit 1.

(Document was marked by Secretary.)

Mr. Taylor: I suggest, Mr. Chairman, that all original documents can be withdrawn upon certified copies, or sworn copies being filed; better have sworn copies.

The Chairman: No objection to marking the outside of it.

Witness: No.

Mr. Taylor: That agreement, I presume, or I assume, was prepared pursuant to the agreement of Schedule A of chapter 34 of 1912? A.—Yes.

Q.—And that would be executed after the election on that same day of the directors of the Company? A.—Presumably so, yes.

Q.—What was the next agreement in order of date, of importance? A.—We entered into a contract with the Government then on the same date, 10th July.

Q.—Would you produce that contract, please? Briefly put, what does that contract cover, which would be Exhibit 2? A.—A duplication of the agreements already entered into by the

firm of Foley, Welch & Stewart, by the Railroad Company with the Government; in other words, the P.G.E.R. adopts Foley, Welch & Stewart's covenants and obligations.

Q.—And that also was executed pursuant to the agreement in Schedule A to chapter 34 of 1912? A.—Yes.

Q.—For the purpose of giving effect to the provisions therein contained? A.—Yes.

Mr. Taylor: That will be Exhibit 2.

(Secretary marked document accordingly.)

Q.—You entered into another agreement with the Government at the time respecting Oriental labour; I do not think it is necessary for you to produce it. A.—It is here if you wish it.

Q.—Unless the gentlemen of the Committee want it.

Mr. Hall: Is there nothing else in it?

Mr. Taylor: Simply that they will not employ or permit Asiatic labour to be employed.

(Agreement handed to Mr. Ross.)

Mr. Taylor: My position is this: that it is not necessary to file it; but if you wish to do so, I will be very pleased to ask the Committee to file it.

Mr. Maclean: If you say nothing turns on it we won't encumber the records with it; it shows that we fulfilled our contract as far as that is concerned.

Mr. Taylor: All that we admit is that you executed that agreement.

Mr. Maclean: Yes.

Mr. Taylor: The agreement, of course, speaks for itself. Following the 10th day of July, 1912, then, what was the next agreement of importance entered into by the P.G.E.R., or Mr. Welch, or Foley, Welch & Stewart? A.—23rd September, contract with P. Welch for the construction of the railway, 1912.

Q.—23rd September? A.—Yes.

Q.—Would you produce that, please? A.—This agreement, I might say, has been amended from time to time in accordance with the provisions which are contained in the agreement.

Q.—And the agreement you are producing contains the original and the amendments? A.—Yes.

Q.—That is, it contains the originals with the amendments attached as separate documents? A.—It contains the originals, yes; the amendments may be there, they are all there; it is our original record. Yes, the amendments are copies of the originals which were sent to Callaghan, chief engineer.

Q.—And you pledge your oath, Mr. Tate, that those copies are correct copies of the originals? A.—Absolutely; they are carbon copies of the originals.

Q.—They are correct copies of the originals, as executed? A.—Yes.

Q.—Now, before reading that document, that is an important one, would you mind reading the minutes? A.—I will have to search for the minutes.

Q.—You have already given one extract from it? A.—Yes.

Q.—But unless the minutes are very long, I would like to have the whole of the meeting read? A.—All right, sir.

The Chairman: What is the date of that?

Mr. Taylor: This is September 23rd, 1912.

Witness: Meeting of directors held at Vancouver, B.C., September 23rd, 1912. Present: J. W. Stewart, Tate, Welch, in person; that is my own self. T. Foley, Smith, by their proxy. Mr. Tate. On motion, Mr. Stewart took the chair, and in the absence of the secretary afterwards was appointed as secretary to the meeting. Mr. Welch handed in his resignation as a director, vice-president, and general manager of the Company, which was accepted. This left a vacancy on the Board which it was decided not to fill, and on motion of Mr. Stewart, seconded by Mr. Tate, it was resolved that paragraph 1, Article 2, be and it is hereby amended as follows: The affairs of the Company shall be vested in a Board of five directors. Carried unanimously. A draft contract between the Company and Mr. Pat Welch for the construction of the entire line of railway from Vancouver to Fort George, embracing all work necessary to furnish the road ready for operation was considered, and on motion of Mr. Tate, seconded by Mr. Stewart, it was resolved that the same be approved, and the president or vice-president and secretary be authorized to execute the same under the seal of the Company. Carried unanimously. On

motion, the meeting adjourned. Signed, J. W. Stewart, chairman; signed, S. Wilson, acting-secretary.

Q.—Was Mr. Welch present whilst you and Mr. Stewart were considering that contract? A.—He was present at the first part of the interview, of course; we had to arrange the contract with him. He was present in his own behalf; then afterwards, so far as the railway part of it was concerned, Mr. Stewart had discussed it with him.

Q.—But Mr. Welch was present whilst you and Mr. Stewart were considering that contract? A.—Not during that part.

Q.—But he was present in that directors' meeting, I mean? A.—No.

Q.—Did he retire from that meeting after resigning? A.—He was present so long as his part in the contract was being discussed; after that, he was not; that is my recollection.

Q.—Well, his part, of course, would be the whole form of the contract? A.—No; he submitted to the Company what he thought was a fair form of contract, and we were making the bargain with him.

Q.—Did he submit that proposition in writing? A.—I could not say at this time.

Q.—Will you produce any writing that he submitted? A.—No, I have got no writing, so I presume it was verbal.

Q.—Will you say that it was verbal (would you ask Mr. Thomas where those original figures are, please)? A.—The secretary says that he thinks Mr. Welch had some original figures with him at that time; they are on his desk.

Q.—Meaning Mr. Thomas's desk? A.—Yes, Mr. Thomas's desk.

Thé Chairman: In Vancouver? A.—In Victoria.

Mr. Taylor: Can we have those at the next session? A.—Yes; of course, I may say that Mr. Wilson was acting-secretary; Mr. Thomas was not there at that time, so they may not be the same figures.

Q.—Have you any other documents outside of that original, the figures of Mr. Welch's that are now being referred to Mr. Thomas? A.—No, I have not.

Q.—When I say any other documents, I mean documents, papers, or writings from Mr. Welch respecting the terms of this contract, or the negotiations leading up to or forming a part of the same? A.—No, I have none, and Mr. Thomas says he has nothing; speaking for myself, I don't know of any.

Q.—Did you call for any tenders? A.—No; we considered that, though.

Q.—That is, you considered it at this meeting? A.—No, we considered it before the meeting, Mr. Stewart and myself.

Q.—Could you produce the minutes of any meeting where you considered it? A.—No, we didn't consider it in a meeting, other than this meeting.

Q.—You have no minutes of the meeting? A.—Of course, it was discussed between us.

Q.—You can produce no minutes then showing that you, in a directors' meeting or shareholders' meeting, considered the calling for tenders? A.—Yes, that question was considered at this meeting of 23rd September; but it was also discussed between Stewart and myself before that.

Q.—How long before this meeting of the 23rd of September did you receive any proposition, or suggestion, or communication, respecting Mr. Welch's desire to contract, from Mr. Welch or from any person acting on his behalf? A.—Oh, I would say several weeks before this meeting.

Q.—You had received the proposition? A.—Well, the matter was considered; I would not say proposition, it is too definite a word.

Q.—Have you got that now, the writing you received? A.—Oh, no, nothing in writing.

Q.—You received that from Welch verbally; could you tell me when you first received a verbal or any proposition from Welch? A.—No, that, of course, would be received by the president. My first knowledge of it came from my conversation with General Stewart.

Q.—The president at that time was J. W. Stewart? A.—Yes.

Q.—Now General Stewart? A.—Yes.

Q.—Then you didn't receive any proposition at all; it was understood General Stewart received the proposition? A.—Yes, he was the first who mentioned it to me.

Q.—And for a long time he had been the partner in business of P. Welch? A.—Yes; of course, I do not want to volunteer anything; but my opinion was asked in regard to the

advisability of calling for tenders, and if you wish, I can give you the position that I took at that time.

Q.—Well, I think that is a matter for this Committee to decide, Mr. Tate; we will simply confine ourselves to the facts.

Mr. Maclean: That is a fact.

Mr. Taylor: At this time that Mr. Welch received his contract of the 23rd of September, 1912, had you, or had you not, any specifications in existence for the doing of this work? A.—I could not answer that at this date.

Q.—Can you produce any minutes of any meeting showing that any specifications were considered on or prior to the 23rd September, 1912, when you awarded the contract to P. Welch? A.—No.

Q.—I am instructed the specifications show that they were not prepared till five months afterwards; is that correct or not—approximately five months afterwards? A.—Well, I really could not say as to that; they may have been prepared afterwards, but how long I could not say, and I could not even say they were prepared afterwards.

Q.—Would you produce the specifications, please—the original specifications? I desire the ones that are in typewriting? A.—We have not got any typewritten ones; Mr. Callaghan may have those at his office.

Q.—I will ask the Department of Railways to produce the typewritten specifications which you filed with them. (To the Hon. Minister of Railways: I want the typewritten ones, filed with the Department.)

Mr. Hall: Mr. Taylor, before we proceed with the specifications, I notice the Secretary has not had Exhibit 3; it is not marked.

Mr. Taylor: That is all right; I know that.

The Secretary: I understand it is not an exhibit yet.

Mr. Taylor: No, it is not an exhibit yet; I have it in mind. Mr. Welch is present here, I think, through Mr. Ellis temporarily, and probably he could produce them; I will ask Mr. Ellis to produce their original specifications.

Mr. Ellis: I am instructed that there are nine boxes of correspondence and documents and things, and no room for them, no place to put them; we would like to facilitate the work of the Committee as much as we can, but we do not know hardly what to do when a document is called for.

Mr. Taylor: They are perfectly safe in this room; why not leave them here?

Mr. Pooley: This room is practically public; it is open to members, anyhow.

Mr. Taylor: I will try and arrange for the adjoining room. The Chief Clerk in the Department of Railways produces the specifications as filed with the Department. Do you wish Bullock-sworn?

Mr. Maclean: Oh, no.

Mr. Taylor: When was it received by the Department? A.—26th February, 1913 (Mr. Bullock).

Mr. Maclean: Stamped, is it? Let me see.

Mr. Taylor: You admit that is Mr. Callaghan's signature, don't you?

Mr. Maclean: Just let me have a look at it.

Mr. Taylor: Mr. Tate, you understand that to be Mr. Callaghan's signature? A.—Yes, that is his signature.

Q.—The date there is what date? A.—21st February, 1913.

Q.—That would show the date of the preparation, or official date of those specifications, wouldn't it? A.—This is part of the specification, I suppose.

Q.—That is the typewritten and signed part of the specifications, that would show the original date of it? A.—Yes.

The Chairman: Do you want that marked as exhibit?

Mr. Taylor: Yes, I want it marked as an exhibit, and then I will read the contents.

(Secretary marked documents.)

Mr. Maclean: Are you going to mark this separately?

Mr. Taylor: I will have it marked as Exhibit 4.

The Secretary: What is 3?

Mr. Taylor: That is the agreement between the P.G.E.R. and P. Welch; now those are the specifications belonging to that.

Mr. Hall: Where is the agreement?

Mr. Taylor: I have it here.

The Secretary: Who produced that (specifications)?

Mr. Taylor: The specifications are produced by the Department of Railways; the agreement was produced by Mr. Tate.

Mr. Ross: Are they dated?

Mr. Maclean: Yes, dated the 21st February, 1913; that is one of them.

Mr. Ross: But what are the dates Mr. Pooley mentioned?

Mr. Maclean: They consist of general specifications and some specific; the general specifications are undated.

Mr. Ross: What date was that filed in the Department?

Mr. Maclean: Apparently it was not a very formal filing; as a matter of fact, it bears a pencil-mark on the front, received 26th February, 1913.

Mr. Ross: In whose handwriting?

Mr. Taylor: Mr. Bullock, do you know whose handwriting that is? A. (by Mr. Bullock).—No, there is no Department stamp on it.

Mr. Taylor: That will be Exhibit 4; we will have it marked and then we can use it.

(Secretary marked document accordingly.)

Mr. Taylor: Now the agreement has been filed as Exhibit 3, there are several amendments, and I will refer to them. This is an agreement of the 23rd of February, 1912, between the P.G.E.R., called the Company, and P. Welch, called the contractor. The recitals are: Whereas the Company have entered into an agreement with the Government on 10th February, 1912, etc.; and whereas that agreement has been assigned to the Company on the 10th July, 1912; and whereas the Company has entered into an agreement with the contractor for the construction of the line in question: Now, therefore, this indenture witnesseth that the parties have agreed with each other as follows. I stop right there. I presume you prepared this document, Mr. Tate? A.—Yes.

Q.—I notice that your last recital is: Whereas the Company has entered into an agreement with the contractor for the construction of the line in question: Now, therefore, this indenture witnesseth that the parties have agreed with each other as follows: What is the meaning of that, the Company has entered into an agreement with the contractor? A.—Well, we came to an agreement in fact before extending it formally in an instrument; that is what I mean by that.

Q.—You had no other agreement in writing? A.—Oh, no; oh, no; that is the only agreement.

Q.—That is, no signed memo.? A.—No.

Q.—Or letters passed between you? A.—No.

Q.—The contractor will construct the line of railway along the road before described or such other road as may be permitted by the Minister of Lands, and furnish and complete the said line of railway ready for operation in accordance with the contract of construction required, and in accordance with specifications to be settled between the contractor and the chief engineer of the Company within the time required by the said agreement, and for that purpose will furnish the necessary labour, plant, and material necessary to complete the work. I will pause again. You notice there, in accordance with the specifications to be settled between the contractor and the chief engineer of the Company? A.—Yes.

Q.—That shows plainly that the specifications were not in existence at the time this contract was awarded to Mr. Welch, is that not true? A.—I do not think they were finally settled at that date.

Q.—Cannot you put it a little stronger than that; were they settled at all? A.—No doubt they had been, part of them.

Q.—But, as a matter of fact, were they settled at all to your knowledge? A.—The complete specifications were not settled; oh, no.

Q.—Were they prepared at all to your knowledge? A.—They were in course of preparation; I certainly would say that.

Q.—Do you say that as a matter of personal knowledge? A.—From discussions I had with President Stewart.

Q.—Since? A.—No, at that time; I am speaking from recollection, and I know that the specifications were not completely prepared at the time that document was signed.

Q.—The specifications as finally prepared were prepared in your office by you? A.—I don't think so.

Q.—That is, you whipped them into shape? A.—No.

Q.—Or the engineers may have given you the wording? A.—I do not think so, Mr. Taylor; I think that I left that to the chief engineer.

Q.—Are you pledging your oath that a single part, to your knowledge, of those specifications as finally adopted was actually prepared and in existence on the 23rd of September, 1912? A.—No, I would not say that they were.

Q.—When these specifications were prepared, were they simply settled with the chief engineer, or were they settled with the Company? A.—They were settled between the chief engineer of the Company and the president of the Company and P. Welch.

Q.—The president of the Company being? A.—General Stewart.

Q.—Is that of your own knowledge, or that is something that you assume? A.—No, it is what General Stewart told me, and also what the chief engineer told me.

Q.—Yes, the chief engineer then being Mr. Callaghan? A.—Mr. Callaghan.

Q.—He has been the chief engineer throughout? A.—Yes.

Q.—And is yet? A.—Yes.

Q.—Paragraph 2: "In the construction of the said line of railway the contractor will observe the provisions of the said agreement dated the 10th of February, 1912; and the Company agrees to pay the contractor for the said work the following prices." We will skip those for the time being.

Mr. Maclean: How many pages of prices?

Mr. Taylor: The prices cover a page and a third. I may say, Mr. Chairman, that with the Committee's consent I intend to divide and put in the case in two branches. The first branch will be all matters other than the actual construction-work. The second branch will be the construction-work. Then we will not get the investigation too much confused, although it will necessitate calling some of the witnesses at least twice. Hence I skip that paragraph 3, all those items. In the meantime all items for work not included in the above shall be paid for at the prices to be agreed upon between the parties hereto, and, failing agreement, at cost thereof, plus 15 per cent. In that connection of 15 per cent., which is known as force account, Mr. P. Welch had the privilege of keeping stores, hauling, outfits, freighting outfits, supplies, and generally supplying the contractors or subcontractors, stationmen, and men; is that true? A.—Well, I suppose Mr. Welch could answer that better than I could.

Mr. Maclean: Is this provided for in the contract?

Mr. Taylor: No, it is not provided for, but it is the effect of this 15 per cent.

Witness: He could answer that more correctly than I could. I have not got much personal knowledge of it.

Q.—You had the knowledge who signed this document? A.—Yes.

Q.—The P.G.E.R., D'Arcy Tate, vice-president; now, to your knowledge, Mr. P. Welch had the privilege of carrying on those trading accounts? A.—Oh, yes, he got the stores.

Mr. Maclean: That would be his privilege, Mr. Taylor, apart from any rights that anybody else had.

Mr. Taylor: Did you make any inquiry, as a Company, to ascertain what percentage should be allowed in force account work where the contractor has the right to carry on trading accounts, making profits in those indirect ways? A.—Oh, I left all that to Mr. Stewart.

Q.—Yes? A.—He was the practical man.

Q.—Do you know, as a matter of fact, if there has ever been a force account contract—to your knowledge—entered into at greater than 10 per cent., where the contractor had the right to make these profits on a trading account, haulage, and all that sort of thing? A.—Well, I really could not answer that, Mr. Taylor.

Q.—You do not know of any? A.—No.

Q.—Well, probably some person else may. I suggest to you that the usual amount, where these trading accounts are given, is 5 per cent. or less? A.—I know there were some on the G.T.R. at 10 per cent.

Q.—But there are no trading privileges permitted? A.—I could not say as to that.

Q.—Well, we will deal with that again.

Mr. Ellis: I understand that Mr. Welch will be down before the Committee, and I don't think Mr. Tate should be asked to give any evidence about Welch—at least, beyond his (Tate's) own personal knowledge.

Mr. Taylor: I was asking if he had any personal knowledge; Mr. Tate has had a wide experience in railway matters.

Q.—The next paragraph, that is paragraph 4: "An approximate estimate of the work done shall be prepared monthly, and a payment equal to 90 per cent. of such estimates, as approved and passed by the Government engineer, shall be paid to the contractor monthly. The remaining 10 per cent. thereof to be paid to him upon the due completion of the work." Did the Government have any engineer on the work inspecting it—checking it up? A.—Yes; Mr. Gamble.

Q.—Was he on the work? A.—He was on the work from time to time.

Q.—At what intervals? A.—He could answer that better than myself.

Q.—Mr. Gamble is the Chief Engineer of the Department in Victoria? A.—Yes.

Q.—You do not suggest that Mr. Gamble checked up these accounts on the ground? A.—He was not there continuously.

Q.—No? A.—He was there very frequently and very regularly.

The Chairman: Will you repeat about that 90 per cent.—I did not get that?

Mr. Taylor: I may suggest to you, Mr. Chairman, that there is nothing in the agreement of 10th of February, 1912, about this 90 per cent. It occurs for the first time in this contract between Welch and the Company. It was afterwards, as we found out later, lived up to by the Government until a certain time when the 10 per cent. was practically all released. "Approximate estimates of the work done shall be prepared monthly, and a payment equal to 90 per cent. of such estimates, as approved and passed by the Government engineer, shall be paid to the contractor monthly. The remaining 10 per cent. thereof to be paid to him upon the due completion of the work."

Q.—Outside of Mr. Gamble, in his intermittent visits on this work, there was no permanent resident engineer provided by the Government? A.—Not that I know of.

Q.—Any other person assisting Mr. Gamble in checking up, whether or not the quantities turned in, and the classifications in were correct? A.—I really could not say.

Q.—You do not know of any? A.—Mr. Gamble was the only one I had anything to do with.

Q.—Paragraph 5: "Pending the final completion of the work, the contractor shall be at liberty to operate any portion of the road completed and ready for the passage of trains thereof for his own benefit; provided, however, that the contractor shall bear all costs of operating such portion of the road and assume any losses incident thereto; provided further that the Company may at any time take over for operation by itself all or any part of the road so being operated by the contractor upon such terms as may be agreed upon between the parties." Now, as to that paragraph, is the contractor operating this road? A.—Yes.

Q.—What portions? A.—The portion on the North Shore.

Q.—From North Vancouver? A.—Up to White Cliff.

Q.—And what other portion? A.—From Squamish to Clinton.

Q.—Is any portion of the maintenance or operation of the road included in the estimates, and paid by the Government out of the guaranteed funds or the loan of \$6,000,000? A.—Not that I know of; the road is not finished yet.

Q.—But is there included in the \$6,000,000 loan payments any portion of the loss in operation? A.—Oh, no.

Q.—Or maintenance of those portions of the road operated by the contractor, P. Welch; have those expenses been included? A.—No.

Q.—The moneys have to be paid by the Government out of these guaranteed securities or the \$6,000,000 loan? A.—I would say not; the net loss of P. Welch on the North Shore was settled with the Company in the form of notes; there was an agreement to the effect between the Company and P. Welch.

Q.—Which we will come to later? A.—Yes.

Q.—Do you agree with this: that none of those losses or maintenance charges should be charged to the Government? A.—No.

Q.—They should be paid by the Government out of the guaranteed funds? A.—No; maintenance charges proper; but the road is not far enough advanced for any maintenance charges.

Q.—That agreement was signed by the P.G.E.R. by the vice-president, Mr. Tate, and D. Thomas as secretary, and by P. Welch; and attached to this agreement is a letter of February 1st, 1913, a letter of J. W. Stewart, who was president, referring to changing of certain prices, which I do not think it is necessary to read, unless the Committee wish it.

Mr. Maclean: Changing the position of some of the prices set out in the original agreement?

Mr. Taylor: Apparently so; I had better read it and save discussion probably as to that.

(Letter of February 1st, 1913, read.) May 7th, 1913—

Mr. Maclean: That is another amendment.

Mr. Taylor: P. Welch to J. Callaghan; it is a letter from P. Welch, per E. White.

Q.—This Mr. White who is writing this letter of May 7th, 1913, is a director now of the P.G.E.R., isn't he? A.—Yes.

Q.—And has been since the 7th of October, 1913? A.—Yes.

Q.—He signs it P. Welch, per E. White.

Mr. Hall: What is the date of that?

Mr. Taylor: May 7th, 1913. The next letter is June 19th, 1913, P. Welch, per E. White, to Mr. J. Callaghan, chief engineer. This letter is an acceptance of allowance for crossing, M.B.N., in accordance with estimate No. 7; period of May, 1913. November 10th, 1913: This shows another amendment, P. Welch, per E. White, to J. Callaghan, advising acceptance of price of \$5.25 each for pile-shoes furnished. I point out to you that on February 1st, 1913, pile-shoes were \$4 each. November 11th, 1913, P. Welch, per E. White, to J. Callaghan. This letter confirms acceptance of price of \$2 per yard for blind drains. Now, at that time, November 13th, 1913, and November 10th, 1913, this Mr. White was one of the directors of the P.G.E.R. Co.? A.—Yes.

Q.—Did he to your knowledge have any power of attorney for Mr. Pat Welch at this time? A.—Well, I could not speak as to that.

Q.—Have you heard about it? A.—No; I know that White is Welch's manager and general factotum.

Q.—Is, and has been? A.—Yes.

Q.—All that time White has been director of the P.G.E.R.? A.—Oh, he is in charge of Welch's office, yes.

Q.—Did your Company ever discuss that feature in view of the "Railway Act"? A.—No; I cannot say that we did in regard—

Q.—I mean, sections 110 and 118 of the "Railway Act." Section 110 is this—that is the "Railway Act," chapter 194, Statutes of 1911, subsection (2): "No person who holds any appointment for or has a contractual office, place, or employment in a Company, or that is concerned or interested in any contract of the Company, or with the Company, or is surety for any contractor with the Company, shall be capable of being chosen a director or hold the office of a director." And section 118: "No person who is a director of the Company shall enter into or be directly or indirectly interested in any contract with the Company other than a contract which relates to the purchase of land necessary for the railway; nor shall any director be a partner of or surety for any director with the Company." Did your Company as a Company discuss this position with reference to those provisions of the "Railway Act"? A.—Yes; generally we did.

Q.—What action did you take? A.—We concluded that the special agreement with the Government, whereby Foley, Welch & Stewart were personally liable to see that this railroad was constructed and operated, took the Company out of the general provisions of the "Railway Act," as far as those sections you have read are concerned; they were personally concerned, you see, to produce this road—

Q.—I am referring to section 4 of the agreement of the 10th of February, 1912; you are referring to that section in the agreement with the Government; that, you think, relieves you from the special operation of sections 110 and 118 of the "Railway Act"? A.—I think section 4—

Q.—Section 4? A.—Would be the fundamental one.

Q.—Page 190? A.—Schedule A.

Q.—Schedule A, section 4, chapter 34 of 1912? A.—Yes.

Q.—The firm covenants and agrees with the Government that the Company shall and will well, truly, and faithfully clear, lay out, and make, build, and construct, complete, equip, maintain, and operate, or cause to be operated, continuously the following lines of railway of a standard uniform gauge of 4 feet 8 inches—and so on; that is the one that you refer to; those are the sections that you refer to? A.—Yes; that is it substantially.

Q.—Do you think that is anything more than a guarantee by the firm that the Company will perform its work? A.—No; the firm were responsible in every case for every covenant entered into by the companies. Take 7 also: The firm had the right under this agreement to control the action of the Company, and if any of the directors were there whose action they could not control, the firms' interests would be prejudiced.

Q.—Then your position, Mr. Tate, is that there is no reason why the contractor of the P.G.E.R. should not contract with the Company? A.—No; inasmuch as the firm were still liable to produce the road, it was in their own interest to see that the road was constructed as cheaply and economically as possible.

Q.—My point is this—it is a different point entirely: Do you contend that any director, in the face of sections 110 and 118 of the "Railway Act," any director of the P.G.E.R. can have a contract with the Railway Company? A.—So long as there are no outside shareholders; this Company was entirely owned and controlled by Foley, Welch & Stewart; and I may say that, similarly, it is in the same position to-day as when we got it from the Government four years ago.

Q.—I just want your position now? A.—That is the position we took.

Q.—As vice-president of the Company, you have been its officer throughout, the chief executive and administrative officer; is your position this: that any director of the Company can contract with the P.G.E.R. for the building of the whole or any portion of the line? A.—No, no.

Q.—No? A.—No.

Q.—Following that out, you were consistent, because you claim that Mr. P. Welch, the very day—or ten minutes before he received his contract on 23rd September, 1912—went to the trouble of resigning as director? A.—Yes.

Q.—You further recognized at that time that sections 110 and 118 of the "Railway Act" did apply to your Company? A.—Well, that was to avoid any question as to that.

Q.—That is what I am coming to, and I am dealing with Mr. White. Having admitted in that way that it did apply, which you now state you do admit, have you also, or has your Company, investigated all its position with regard to P. Welch in connection with the fact that during these months he (White) has also been a director of the Company? A.—No; we did not have any special arrangement as to that.

Q.—Now, whilst we are on that subject—

(Mrs. E. Blygh sworn as stenographer.)

Q.—Now, whilst we are on that subject, the other new director appointed on the 7th October, 1913, was Mr. F. Wilson. He, I understand, is a son-in-law of Mr. P. Welch? A.—Yes.

Q.—And was at that time? A.—Yes.

Q.—Referring again to Exhibit 3, and the amendments, the next letter attached is August 13th, 1914, from J. W. Stewart to Mr. John Callaghan? A.—What date?

Q.—August 13th, 1914, from J. W. Stewart to Mr. John Callaghan. It reads as follows: "DEAR SIR,—Mr. P. Welch advises that he is building a dry wall east of Lillooet, for which there is no price in the contract. A fair price is \$4.50 per yard, and you can allow him this in your estimate." The next is September 5th, 1914. This is from J. W. Stewart, president, to Mr. John Callaghan: "The following rates and prices have been agreed upon by this Company and P. Welch, contractor, for the material and work herein specified: (Steel in girder bridge crossing Marine Drive, West Vancouver, per pound, 7 cents.)" The next letter is November 8th, 1915, from J. W. Stewart, president, to Mr. John Callaghan, chief engineer: "It has been agreed that 75 cents per lineal foot will be allowed to cover the cost of under-drains, and this will be your authority to estimate work under this heading at the rate mentioned." The next is a letter dated November 20th, 1915, from J. W. Stewart, president, to John Callaghan: "Referring to the contract for surfacing and ballasting, in order that there will be no misunderstanding or inconsistency with respect to the schedule of prices and

the specifications governing the work, I have decided to amend the contract as follows: 'Surfacing "A"—Seven hundred and 00/00 dollars (\$700.00) per mile. Surfacing "B"—Seven hundred and 00/00 dollars (\$700.00) per mile. Ballasting—Fifty cents (50c.) per cubic yard.' Above amendments to contract dated 23rd September, 1912. Accepted.—P. WELCH, Contractor." The next amendment is one of October 6th, 1916, containing a great number of amendments which I perhaps had better read. It is approved by D'Arcy Tate, vice-president, and is accepted by P. Welch, per E. F. White, attorney. So that at this time you knew that Mr. White had a power of attorney from Mr. P. Welch? A.—Oh, yes, I suppose so.

Q.—Yes. Have you a copy of that power of attorney filed with your Company? A.—No, I don't know whether he has that power of attorney. Mr. Thomas thinks he has it.

Q.—It is filed? Will you produce that after lunch? A.—Yes.

Q.—I mean at the next session, Mr. Thomas? A.—Yes.

Q.—These prices will have to be compared, Mr. Chairman and gentlemen, with the original prices when we come to that branch of the case. Shall I read them now? There are several pages.

The Chairman: There is no advantage in doing it now, Mr. Taylor.

Mr. Taylor: I don't intend to make any point at this time, but the date is October 6th, 1916. Could you give me the date of the last Provincial election in British Columbia?

Mr. Maclean: We can get that from some of the members of the Committee all right.

Mr. Pooley: I think it is sufficiently a matter of record, Mr. Taylor.

Mr. Taylor: What date is it?

Mr. Pooley: 14th September, 1916.

The Chairman: That and June 23rd are days easy to remember.

Mr. Ellis: Of course, there is no dispute about the Committee being a Committee of the Legislature.

Mr. Taylor: The next letter is January 6th, 1917.

Mr. Maclean: January 6th, 1917?

Mr. Taylor: Yes.

Mr. Maclean: That is an amending letter.

Mr. Taylor: It is a letter signed by Mr. P. Welch, and addressed to D'Arcy Tate, and is referring to certain other prices, giving the list of them. That is all there is in that, Mr. Chairman; and then there is another letter, to the same effect, of January 6th, 1917.

Mr. Maclean: I did not catch the date in January.

Mr. Taylor: January 6th, 1917, the same date in each case, and it is signed in each case by P. Welch, per E. F. White, and approved by Mr. D'Arcy Tate as vice-president, and it is directed to Mr. D'Arcy Tate, K.C. The next letter is January 12th, 1917, with certain other prices given, and it is signed and approved in the same way. The next is a letter dated January 16th, 1917, signed by Mr. Tate, and addressed to Mr. John Callaghan, chief engineer. It reads as follows: "We have agreed with P. Welch, contractor, on prices covering creosoted timber and piling as per following schedule: Creosoted timber in structure other than stringers, material, and labour, \$75 per M.B.M.; creosoted piling, material only, 65 cents per lineal foot. You will therefore include this in your December estimate, and this accepted schedule will now be a part of our contract with P. Welch, dated September 23rd, 1912, and in accordance with the closing portion of clause 3." That will be Exhibit 3.

Mr. Pooley: Now, all these letters, I understand, are attached to the specifications you produced—Exhibit 3?

Mr. Taylor: They are attached to the contract, Exhibit 3.

Mr. Pooley: It is just so that we will get the record straight.

The Chairman: And the original specifications are filed as an exhibit?

Mr. Hanes: No, we have not those yet. They have not been produced yet.

The Chairman: Well, are those original copies?

Mr. Taylor: The specifications are produced by the Department, but the specifications to be produced by the Railway Company are not here yet.

Witness: Here they are now. (Producing documents.)

The Chairman: Are they the same? There is no use of marking them twice.

Witness: Well, these are our copies.

The Chairman: Are they the same? A.—The printed part is the same, but the type-written part with regard to the track-laying and surfacing are not the same. Now, I understand that this typewritten part was in existence at the date at which the contract was signed.

Mr. Taylor: How do you understand that? A.—Well, Mr. Thomas tells me so.

Q.—The printed part being what? Let me see that, please. The printed part is something you always have in stock, isn't it? A.—Well, of course, at that time we were just a new railway.

Q.—Well, it is a standard printed form, isn't it? A.—Yes.

Q.—And you mean by being in stock—by the Canadian Northern Railway, and the C.P.R., and the P.G.E.—and that would be in existence on the 23rd September; but was it executed on the 23rd September? A.—Yes.

Mr. Pooley: Who compiled these? A.—Mr. Callaghan compiled these. Well, it is a sort of a condensing of the specifications that were put in that you have mentioned. As a matter of fact, Mr. Callaghan would take a part from one Company and part from another Company's form.

Mr. Taylor: Now, you will pardon me, Mr. Tate, because obviously you are making a mistake, because at the bottom of each sheet, in the same type of print, it says: "Revised 1st March, 1914"; and it could not be in existence on the 23rd September, 1912. A.—Well, this is the first one here.

Mr. Pooley: As I understand it, Mr. Tate, from what you now say, the original specifications—the printed specifications—were revised from time to time? A.—Yes.

Q.—And you have several copies of these specifications as revised? A.—Yes. Here is one, for instance, that was revised the 9th September, 1913.

Q.—Do I understand, Mr. Chairman, that the original Exhibit 5 is the original specification or the revised one?

The Chairman: I don't know what Exhibit 5 is yet.

Mr. Taylor: Exhibit 4 is the specification produced by the Department as received by them in February, 1913.

Mr. Pooley: You used the term "Exhibit 5"?

Mr. Taylor: I will leave that to Mr. Tate.

Q.—Which will you file as the original specification, Mr. Tate? A.—Which is the original? The chief engineer, he selects this document—Exhibit 5.

Q.—That is the best you can do? A.—Yes, and it bears his original signature.

Q.—It has no date on it at all? A.—Now, Mr. Callaghan will probably explain that later.

Q.—That is the best you can do? A.—Yes, and it bears his original signature.

Q.—It has no date on it at all.

The Chairman: Who produces that?

Mr. Taylor: Mr. Tate does on the authority of Mr. Callaghan.

(Document marked "Exhibit 5.")

Q.—This is the revised one, which you produced to me, and it will be Exhibit 6. Would you just mind passing that to the front there? A.—This is the revised one?

Q.—Yes. A.—Well, this is it then.

Mr. Maclean: How is it changed then?

Mr. Callaghan: It is marked here with a red cross.

Mr. Taylor: That is printed on the bottom, "Revised March, 1914." This will be marked as Exhibit 6.

A.—And here is another one.

(Document marked "Exhibit 6.")

Mr. Maclean: Here is a further revision? A.—No. This is for track-laying. This is for track-laying and surfacing.

Mr. Taylor: Then we will take that up now—the track-laying and surfacing, which is printed. "Revised December 1st, 1913," signed by Mr. Callaghan—I file as Exhibit 7. A.—And here is another one relating to timber structure signed by Mr. Callaghan, dated 1913.

Q.—That is Exhibit 8—specification for timber structures, typewritten, "Signed by Mr. Callaghan" in 1913. You don't know the date that that was issued, Mr. Tate? A.—No.

Mr. Callaghan: No, I just put that date in there the other day just to identify it.

(Specification marked "Exhibit 8.")

Mr. Taylor: I notice that none of these specifications are signed by Mr. Welch, the contractor. You, as solicitor and counsel and executive officer of the Company, were looking after that, of course. That was omitted to be done. Now, how was that? A.—Well, I left that part chiefly to Mr. Stewart.

Mr. Maclean: Doesn't the contract say the specifications from time to time are to be prepared by the engineer?

Mr. Taylor: Settled with the engineer.

Mr. Maclean: Settled by.

Mr. Hanes: Between the contractor and the engineer.

Witness: Well, Mr. Stewart would look after that. You see, Mr. Stewart's office being in Vancouver, it is more convenient to have it done from there, and he could look after that better than myself, and he had more practical knowledge on the subject. This is another one—a specification for ties.

Q.—Now, you have spoken of Mr. Stewart frequently here? A.—Yes.

Q.—And you have produced also a blue-print—a typewritten document signed by John Callaghan with no date, called "tie contract." This will be Exhibit 9. I know that this is not dated, although it is signed and delivered this day of . There is a space there to be signed by Mr. P. Welch, but it is not signed by him apparently. A.—No, that is just a form.

Q.—But it contains several blanks throughout this body, and has no prices. A.—That is merely a form of the tie contract, including the specifications for ties.

Q.—It is signed by Mr. John Callaghan. A.—As a form, just settling the form.

Q.—I mean to say it is not a mimeographed copy or a typewritten signature. It is his own signature there. A.—Yes.

Q.—Now, would you kindly produce the original specifications eventually filled up? You see, it is more than a copy; it says: "I , of , agree to furnish ties of quantities of the following descriptions at the prices below named"; and there are no prices named at all. A.—That was a form of contract to be used with sub-contractors. They signed that.

(Document marked "Exhibit 9.")

Q.—You have referred very frequently up to date (that is, this morning) to things that Mr. Stewart did. Now let us settle that matter. I am instructed that Mr. Stewart was very seldom in Vancouver during these years 1912, 1913, and 1914. I might say that he has given his evidence in a very important case in which he practically stated that, and that he had very large contracts elsewhere—the Transcona Yards in Winnipeg in 1912, and he was engaged on the large tunnel at Rogers Pass, and in 1912 they were working somewhere else—I don't know where they were working then—whether it was on the Grand Trunk Pacific or not. You would know that better than I would? A.—No, they were not working on the Grand Trunk Pacific then.

Q.—And then he had other contracts spreading throughout Canada from ocean to ocean? A.—Yes.

Q.—And Mr. Stewart was the man who was looking after this work, wasn't he? A.—Yes.

Q.—Now, why do you say that Mr. Stewart gave this P.G.E. matter any special attention? A.—Well, I would say he gave it more attention than he gave to any of those works you have mentioned. He gave it more attention than he did the tunnel, or the Halifax Harbour, or the Transcona Yards. You see, his home was in Vancouver, and although he was absent frequently, and for long intervals at a time, still those were his headquarters, and he had his offices in the Winch Block—that was always in commission.

Q.—But the fair way of stating it, is it not, is that the P.G.E. was left to Mr. Callaghan and yourself. Now, that is the fair way of stating it, isn't it? Mr. Stewart did give you his valuable assistance, advice, whenever it was possible at the intermittent times when he was in Vancouver. A.—Well, I would say Mr. J. W. Stewart was in fact the chief officer; he was the one who looked after it in name as well as in fact. Whatever Mr. Stewart said had to go, pretty well.

Q.—Now we have got to the 23rd September, 1912. Was there any contract prior to this time made between Foley, Welch & Stewart that you have not mentioned? For instance, I would suggest to you in regard to shares? A.—With regard to what?

Q.—In regard to shares. A.—Do you mean the capital stock of the Company?

Q.—Yes. Was there any contract prior to the 23rd September with regard to that matter?

A.—Yes. There is an agreement of the 15th October, 1912.

Q.—But that is after the 23rd September. But was there any before the 23rd? A.—You mean dealing with the capital stock?

Q.—Was there any agreement before that? A.—Not that I know of, unless you can point it out to me.

Mr. Maclean: Are you putting that document in?

Mr. Taylor: Yes.

(Document marked "Exhibit 10.")

Mr. Taylor: It can be said fairly to be the next agreement of any importance affecting this inquiry, can it not? A.—Yes, I think so.

Mr. Pooley: I would suggest that all these exhibits should be put in and marked and numbered before any question is asked on them, so that you cannot get the record mixed up.

Witness: There is one of the 15th October of the National Surety Company.

Mr. Taylor: Will you produce that one after this? This one is October 15th.

The Chairman: Now wait, Mr. Maclean, that is what exhibit?

Mr. Maclean: Exhibit 10.

Mr. Pooley: Let us get it in and marked.

Mr. Taylor: That will be Exhibit 10. I can use it and it can be marked afterwards.

Mr. Pooley: As long as we get it all straight on the records.

Mr. Taylor: Referring now to Exhibit 10, which is a document of the 15th October, 1912, "between the Pacific Great Eastern Railway Company (hereinafter called 'the Company') of the one part, and Foley, Welch & Stewart, contractors," etc. "called 'the firm')", of the second part.

"Whereas the firm entered into an agreement with the Government of the Province of British Columbia dated tenth day of February, 1912, that the Company would be incorporated, and when incorporated would acquire, lay out, build, complete, equip, maintain, and operate a line of railway of standard gauge within the limits of British Columbia from the City of Vancouver to a junction with the Grand Trunk Pacific Railway at or near Fort George, a distance of approximately four hundred and fifty miles:

"And whereas by an Act of the Legislature of the Province, chapter 34 of the Statutes of 1912, the above-mentioned agreement was duly ratified and confirmed and made Schedule A to the said Act:

"And whereas by an Act of the Legislature of the said Province, chapter 36 of the Statutes of 1912, the Company was duly incorporated:

"And whereas the schedule agreement provided that, for the purpose of aiding in the construction of the line of railway referred to the Government would guarantee the payment of the principal and interest of an issue of the Company's securities bearing interest at four per cent., not to exceed thirty-five thousand dollars per mile:

"And whereas by the said schedule agreement the firm agreed to indemnify the Government against all payments which it may make under the terms of the said agreement:

"And whereas the said schedule agreement provided that the Company shall furnish the Government security in the sum of two hundred and fifty thousand dollars for the construction and equipment of the said line, which security the said firm has given for and on behalf of the Company:

"And whereas the firm has by an agreement dated the tenth day of July, 1912, assigned to the Company its agreement with the Government for the benefit of the Company:

"Now, therefore, this agreement witnesseth that, in consideration of the premises and of the obligations, rights, powers, privileges, guarantees, services, and assistance undertaken, granted, given, and rendered by the firm to the Company as hereinbefore in part recited, and to be undertaken, granted, given, and rendered as by the said agreements, or either of them, or these presents provided, and the sum of one dollar of lawful money of Canada now paid by

the firm to the Company (the receipt whereof is hereby acknowledged), the Company hereby covenants, promises, and agrees with the firm as follows, that is to say:—

"1. The Company shall forthwith issue as paid-up stock shares of the common stock of the Company of the par value of twenty-four million nine hundred thousand dollars (\$24,900,000), and will allot and hand over the same to the firm or their nominees, and that such issue and allotment of stock shall be binding upon the Company, and that such stock shall not be assessable for calls.

"2. The parties hereto declare that the said amount of such common stock is a fair and *bona-fide* value for the rights, powers, and privileges hereinbefore referred to granted and to be granted, guaranteed, given and to be given, services and assistance rendered and to be rendered by the firm to the Company for the purposes hereinbefore in part recited.

"And the firm hereby covenants with the Company as follows, that is to say:—

"3. The firm will, as and when required by the Company, guarantee any bonds or other securities required for the complete construction and equipment of the railway in accordance with the obligations undertaken by the firm under the before-recited agreement of the tenth day of February, 1912.

"In witness whereof this agreement has been duly executed by the parties"—in this way: "Pacific Great Eastern Railway Company, J. W. Stewart, President." This agreement is signed by the following parties: "Pacific Great Eastern Railway Company, J. W. Stewart, President; R. D. Thomas, Secretary; Timothy Foley, P. Welch, and J. W. Stewart." That was a turning-over to the Pacific Great Eastern of its entire share capital, excepting \$100,000? A.—Which had been paid for in cash previously.

Q.—The \$100,000 had been paid for in cash? A.—Yes.

Q.—You hardly mean that. I will put it to you again. You mean that \$40,000 of the \$100,000 had been paid for in cash? A.—Wasn't it \$100,000—no, that was it.

Q.—\$100,000 was subscribed. A.—Yes, that was it. It was subscribed.

Q.—\$100,000 was subscribed according to the Incorporation Act. We will just check that up—section 22 of the Incorporation Act; that is, chapter 36 of 1912, section 22: "(1.) So soon as \$100,000 of the capital stock shall have been subscribed and allotted, and 10 per cent. of this amount shall have been paid into some chartered bank in British Columbia, the provisional directors shall call a meeting of the subscribers to the said capital stock." Now, they had paid \$40,000, not the entire \$100,000, and that left a balance of \$60,000 unpaid? A.—Yes.

Q.—Who subscribed for that \$100,000? Can you tell me that? Have you got your share-books here? A.—Yes.

Q.—Will you produce the share-books as well as the subscription-books at the noon session? Now, who subscribed for the \$100,000; can you tell me that offhand? A.—I would say, from memory, Mr. Foley, Mr. Welch, Mr. Stewart, myself, and Smith, and McLeod.

Q.—And Mr. McLeod. Those are the men named? A.—The provisional directors.

Q.—The men named in the special Act incorporating this Company? A.—Yes.

Q.—Now you subscribed for how many shares yourself? A.—Oh, I could not say offhand.

Q.—About how many? A.—Oh, I suppose about twenty shares. We divided it up pretty well.

Q.—Did you pay in cash your proportion of those twenty shares? A.—I presume so.

Q.—Or your proportion of the \$40,000 in respect of those twenty shares? A.—I presume so.

Q.—Did you? A.—I don't remember. I don't remember what my accounts were at that time with Foley, Welch & Stewart. I don't know how I stood with them, but I know that they were all adjusted.

Q.—Well, did Mr. J. W. Stewart pay you that amount in cash for his shares? A.—I could not say, but the accounts were all adjusted afterwards between Foley, Welch & Stewart and myself.

Q.—No, but the Statute says that this must be done. It is not a question of adjustment afterwards. The Statute requires, as a condition precedent, "So soon as \$100,000 of the capital stock shall have been subscribed and allotted and 10 per cent. of this amount shall have been paid into some chartered bank in British Columbia, the provisional directors shall call a meeting of the subscribers to the said capital stock." A.—Well, that was paid all right.

Q.—Was it paid into some chartered bank—the \$40,000; that is my question? A.—I cannot say from recollection now, but I know the \$40,000 was actually paid, and it might have been paid to the Union Bank.

Q.—Will you produce your bank-book showing it? A.—I will have to look that up for you.

Q.—Will you produce that bank-book at the next session? A.—Mr. Thomas has not got it; I don't think he has. Yes, he has; that will be all right.

Q.—You are not able to say at the present time whether you paid for your twenty shares in cash or not, but you presume you did? A.—Yes.

Q.—But you are not able to say that Mr. Stewart paid for his prior to the calling of the meeting of the subscribers to the capital stock—prior to that first meeting, and that first meeting was on the 10th July, 1912, when the permanent directors were elected? A.—I don't know just exactly the date, but I know the \$40,000 was actually paid.

Q.—Was it paid into some chartered bank? A.—Well, I cannot say whether it was paid into some chartered bank, but it was paid into the Company's treasury.

Q.—The Statute requires it to be paid into some chartered bank in British Columbia. Do you know whether that was done or not? A.—I cannot say as to that.

Q.—Will you produce the books of the bank to show whether it was or not? A.—Yes.

Q.—Now, that \$60,000 which was to have been paid subsequently upon the subscription was forgiven you by the Company? A.—Yes.

Q.—You were forgiven that amount? A.—I think it was declared paid.

Q.—We will come to the agreement in a little while and we won't deal with that now. But the \$24,900,000 provided for by this agreement was turned over to Foley, Welch & Stewart, and who else? A.—That is all.

Q.—Just those three? A.—Yes.

Q.—At the time that they entered into this contract with themselves, calling themselves the Pacific Great Eastern Railway, and signing it in the two capacities, they were then and remained directors of the Company. That is, Stewart did, and Foley did? A.—What is the date?

Q.—Didn't you, as the general counsel and as an officer of that Company, recognize that as a violation of sections 110 and 118 of the "Railway Act" that we have already referred to? A.—No, I did not, Mr. Taylor. As I explained previously, I considered that this agreement with the Government overruled the provisions of the "Railway Act." Now, take our regular Incorporation Act: You will see the Act there confirming this agreement. It is in the Act of 1912, chapter 34.

Q.—Yes. What section do you refer to? A.—Section 1.

Q.—Of the agreement or of the Act? A.—Of the Act.

Q.—Section 1 of the Act? A.—Yes. "The said agreements, copies of which form the Schedules to this Act, are hereby ratified and confirmed and declared to be legally binding, according to the tenor thereof, upon the parties thereto; and the said parties to the said agreement, so far as the Legislature of the Province of British Columbia has power to enact, are hereby authorized and empowered to do whatever is necessary to give full effect to the said agreements, the provisions of which are to be taken as if they had been expressly enacted hereby and formed an integral part of this Act." That is the section 1 referred to.

Q.—Now, will you point to any portion of that agreement which enables you to receive the entire share capital of this Company? A.—Well, the whole idea at that time was that Foley, Welch & Stewart were personally responsible for the construction and operation of that line, and therefore they were justified in taking whatever means were fair in obtaining control of the Company and its operations. Otherwise they would have been at sea.

Q.—Now, you are aware of the chapter of incorporation. Just turn to section 22—section 21, which tells exactly what is to be done with those shares.

Mr. Maclean: Isn't this rather a discussion of a deeper point than the elucidation of facts?

Mr. Taylor: It is with regard to the share certificates, and this is a very important point, I would think.

Mr. Maclean: But how could they carry out their covenants unless they had control of the Company? They could not possibly do so.

Mr. Taylor: Well, we will deal with the incorporation of the Company itself. Section 21 says this, and it is not fair to answer it in any other way.

Mr. Maclean: That is a matter of legal argument.

Mr. Taylor: "The money raised upon the capital stock of the Company shall be applied in the first place to the payment of all fees, expenses, and disbursements in connection with the incorporation of the Company, and for making surveys, plans, and estimates or purchasing those already made, connection with the works hereby authorized, and the remainder of such money shall be applied to the making, equipping, and maintaining of the said railway and other purposes of the Act." Now, under what possible interpretation would you say Foley, Welch & Stewart are allowed to take over the total share capital of this company, which share capital has to be used for the building of that railway? A.—You could not use the share capital; it could not be sold for one cent a share.

Q.—Is that any reason for giving it away? A.—We did not give it away. That is the usual way that is done in projected undertakings of this kind. Take, for instance, the building of the Grand Trunk Pacific Railway. The G.T.R. got all the stock off the G.T.P.

Q.—I am not dealing with that. A.—It is the same principle.

Q.—I am dealing with your own charter, which says that these shares are to be used in a certain way. A.—Well, you could not sell the shares.

Q.—But why should they be given away? A.—They were not given away. Foley, Welch & Stewart were providing for the proceeds of those shares.

Q.—Here is a railway which was to be built by this Company. It was to be built by the Pacific Great Eastern Railway Company. That Company had two sources of income—one by the selling of its shares and the other was by the guarantee bonds—and those were the only two means for getting the revenue for building this road. A.—The first was what?

Q.—The shares. A.—No. The second was Foley, Welch & Stewart's guarantee, and it was a great deal more than the shares.

Q.—Then you will say there was first the guarantee bonds, amounting to \$18,000,000 and something? A.—Yes.

Q.—And then there was the guarantee of Foley, Welch & Stewart contained in the agreement of the 10th February, 1912? A.—Yes, and their covenants.

Q.—And then, thirdly, there was the sale of its shares? A.—No, I don't think so.

Q.—Well, you mean you don't think you could sell the shares? A.—The shares were no value except what they were worth and the value which Foley, Welch & Stewart would give to them.

Q.—Then there were only the two—the security of the guarantee bonds and Foley, Welch & Stewart's guarantees? A.—Yes.

Q.—Now, take the guaranteed securities. We know what they amounted to—some \$18,000,000 and something net; and then take Foley, Welch & Stewart's—that is contained in the agreement of the 10th February, 1912? A.—Yes.

Q.—You know as a lawyer that that is the agreement. Now, will you show me any agreement that enables them to take these shares? A.—Yes, the whole scope and effect of the agreement enable them to do so.

Mr. Maclean: How could they carry it out if they didn't?

Q.—How could they control the Company?

Mr. Taylor: I will answer my learned friend. It may be of advantage to the Committee. Foley, Welch & Stewart have guaranteed that the Pacific Great Eastern will build a certain railway, the same as any surety company will guarantee that any man will build a certain building, or a company will build a certain building. Now, would you say that the guarantee company having guaranteed the building by that company by giving a paper bond, that they would for that reason be entitled to take all the shares of the guaranteed company?

Mr. Maclean: I would say that, unless Foley, Welch & Stewart did guarantee the Company, they could not carry out the work.

Witness: Under Schedule B of that Act Foley, Welch & Stewart are under obligation to control the stock.

Mr. Taylor: I will read that Schedule B of the same Act, 1912, 23rd day of January, 1912. This is an agreement confirmed and approved by the British Columbia Government or Legislature between the Grand Trunk Pacific Railway Company and Foley, Welch & Stewart. Now, in paragraph 2 it provides as follows: "Upon the firm receiving a proposition to acquire a majority of the capital stock or the control of the Pacific Great Eastern Railway from any other railway company, or from any corporation, syndicate, firm, or individual of recognized standing

and solvency, the firm shall give to the Company by registered letter addressed to the president or the secretary of the Company at its head office, Montreal, Quebec, notice of the said proposition and of the terms thereof, together with the name of the party making the same; whereupon the Company shall have sixty days after the date of mailing of the said letter so addressed to acquire a majority of the capital stock or the control of the Pacific Great Eastern Railway upon the same terms as contained in the said proposition." That is what you are referring to? A.—Yes.

The Chairman: What page is that?

Mr. Taylor: That is page 197.

Q.—Will you tell me how it is the Pacific Great Eastern Railway could turn over its capital stock to the Grand Trunk Pacific Railway if its shares were held individually by yourself, Foley, Welch & Stewart, and others? A.—Well, not "and others." I think there were only four shares outstanding.

Q.—Well, now let us settle that point just now. I think you are a little in error in that. A.—Well, there were not very many shares—just a few shares outstanding to qualify the directors.

Q.—How were they held? A.—They are not beneficially held.

Q.—How are the shares actually held? I think we have a letter of yours here showing how they are held? A.—Yes, giving that information to the Government.

Mr. Hanes: Mr. Chairman, I understood Mr. Tate to say that the shares were transferred to Foley, Welch & Stewart; is that what you stated? A.—The issue is paid up—fully paid up.

Q.—Is that the full answer? A.—Well, is that what you want to know?

Q.—I thought I understood you to say that this \$24,900,000 worth of shares were issued to Foley, Welch & Stewart? A.—Yes, fully paid up and issued to Foley, Welch & Stewart.

Q.—That is your answer? A.—Yes.

Q.—Now, on January 29th, 1917, you wrote a letter to Mr. Oliver. This is January 29th, 1917, and is addressed to the Hon. John Oliver, Minister of Railways, and reads as follows: "As requested in your letter of the 27th inst., I give below the names of the present shareholders of this Company and the number of shares held by each:—

Shareholders and Address.	No. of Shares.
"Timothy Foley, St. Paul, Minn.	31,865
Patrick Welch, Spokane, Wash.	31,865
John W. Stewart, Vancouver, B.C.	31,865
D'Arcy Tate, Victoria, B.C.	31,865
Frederick Wilson, Vancouver, B.C.	20
Edward F. White, Vancouver, B.C.	20
His Majesty the King in right of His Province of British Columbia, herein represented by the Minister of Finance of the Province of British Columbia and his successors in office	20,000
Total shares in owners' names	147,500
Total number shares pledged	102,500
Total shares issued	250,000 "

Q.—That is right? A.—Yes.

Q.—102,500—we will come to that later; they were pledged by virtue of the "Loan Act"? A.—Yes.

Q.—Prior to the time of dividing them up as we now find them divided—speaking as to the whole 250,000 shares, they were held by Foley, Welch & Stewart? A.—No. Foley, Welch & Stewart, as I recollect it, got the \$24,000,000 of stock, and immediately afterwards, possibly the same day, they assigned to me 25 per cent. of that stock, but the stock was not issued to me direct, paid up, although Mr. Thomas says it was; but that is not my recollection.

Q.—Originally, under the agreement referred to as Exhibit 10, the total shares issued went to Foley, Welch & Stewart and yourself? A.—No; Foley, Welch & Stewart.

Q.—\$24,900,000? A.—Yes.

Q.—\$100,000 having been previously subscribed? A.—Yes.

Q.—That was done notwithstanding Schedule B? A.—Well, that was all right.

Q.—You contend that was all right? A.—Yes.

Q.—We will pass that for the moment. Then in 1915 the "Loan Act" was passed, was it, or 1916? A.—Yes.

Q.—1916 was it?

Mr. Maclean: 1916—last year.

Witness: 1916.

Mr. Taylor: That provides that \$12,500,000 of these shares shall be turned over to the Province of British Columbia? A.—Yes.

Q.—It provides that the Company shall turn those over? A.—Yes.

Q.—But instead of the Company having them to turn over they were in the hands of outsiders—namely Foley, Welch & Stewart? A.—And myself. We each contributed a portion of our respective holdings to enable the Company to perform that contract.

Q.—You could not return them back to the Company? A.—We loaned them to the Company.

Q.—You could not return them to the Company, could you?

Mr. Maclean: Why not?

Witness: Well, we satisfied the Government that we could.

Mr. Taylor: You cannot return to the Company its shares except by forfeiture? A.—Well, that is what the Government accepted. We turned them over to the Government ourselves. The "Loan Act" says: "To the full extent to which necessity shall or may exist the Pacific Great Eastern is given corporate power and authority to do, perform, carry out, and fulfil every act, deed, transaction, matter, and object whatsoever so as to enable the purposes of this section to be fully carried out and effected."

Q.—That is the power given to the Company itself? A.—Yes, in the "Loan Act."

Q.—You as individuals had to give these shares out of your respective holdings so that the guarantee could be made good under that "Loan Act"? A.—Yes.

Q.—Now, when was that done? Take that "Loan Act" parting with \$12,500,000 to Foley, Welch & Stewart, did you have any agreement with the Grand Trunk Pacific to permit you to do that? A.—No. That would be a technical infringement of that clause.

Q.—Did you consult with the Grand Trunk Pacific to permit you to do that? A.—They were not consulted, and unless that apparent violation, or I mean the technical violation, could be cured by this subsection (2), which I have read, it will still exist.

Q.—Then you will admit this: When the 25,000,000 shares were taken over by these individual people it was not then possible for the Company to raise money by those shares? A.—By the Company, but not as a party.

Q.—Now, how did this Company hope to build this railway, having exhausted all the guarantee funds provided by the British Columbia Government? A.—Well, the Company had no assets except what they were clothed with by Foley, Welch & Stewart. Foley, Welch & Stewart owned all the assets of the Company. They were the Company.

Q.—You hardly mean that, do you? As a matter of fact, the Company had no assets except the grant it got from the British Columbia Government—and the charter; it had no funds except by reason of what it got from the British Columbia Government securities; and Foley, Welch & Stewart did not contribute a 5-cent piece to its assets, did they? A.—Oh, yes, certainly they did.

Q.—Where did they contribute a 5-cent piece to its assets? A.—Why, they put the whole of their plant on the ground, that they had had with the Grand Trunk Pacific in its construction, valued at \$1,000,000.

Q.—P. Welch resigned as a member of this Company for the purpose of being able to take that contract over as an independent contractor. And what had Foley, Welch & Stewart to do with this? A.—Well, it was Foley, Welch & Stewart's equipment that went on this work.

Q.—Where have we got anything in writing, or anything to show that Foley, Welch & Stewart loaned or gave or provided anything for this Company? P. Welch has a very healthy contract here. He was to be remunerated out of these guarantee funds for everything he did. Now, how do you say Foley, Welch & Stewart had anything to do with it? A.—Well, because I know perfectly well that practically the whole plant and equipment used upon the Grand Trunk Pacific Road by this firm was turned over intact to the P.G.E. and was used in this work.

Q.—And it was a plant that was earning the prices that P. Welch was getting, mentioned under his contract, and that he was settled with for? A.—It may have done so. I don't know as to that.

Q.—And the Government have paid for all that in their estimates from time to time, to the amount of nearly \$1,000,000? A.—No.

Q.—Well, we will have those estimates here at the next session. The certificates will be produced here. You have seen them? A.—Yes.

Q.—And do you pretend to say that anything was forgotten or left out of them that the Government did not pay? A.—Well, I hope not.

Q.—Well, then, how can Foley, Welch & Stewart provide anything as Foley, Welch & Stewart; if the Government has paid for everything up to date and nothing has been forgotten? A.—Well, I am telling you that at the inception of this work there was one item contributed by Foley, Welch & Stewart which aggregated \$1,000,000, and then we had to buy out the Howe Sound & Northern Company.

Q.—They have been paid for it? A.—Well, I don't know; you will have to ask them.

Q.—Don't you know that that has been paid for by the guarantee fund? A.—No, I know that there was \$180,000 paid. Foley, Welch & Stewart paid for the balance—that has never been paid yet to them.

Q.—How much? A.—\$1,100,000.

Q.—To what? A.—To the Howe Sound & Northern Railway.

Q.—And it has not been reimbursed by the Government? A.—Only to the extent of \$180,000.

Q.—And what about the balance? A.—It has not been passed by Mr. Gamble. The Development Company holds the note of the Railway Company.

Q.—You are now referring to the P.G.E. Development Company? A.—Yes.

Q.—It holds the Railway Company's note for \$850,000? A.—\$850,000.

Q.—And by virtue of what did they get that? A.—They bought their terminals at Squamish for \$700,000.

Q.—You mean that the Railway Company bought them from the Development Company? A.—Yes.

Q.—And it gave the Development Company a note? A.—Yes.

Q.—Well, what has that to do with Foley, Welch & Stewart putting up \$1,100,000 for the Howe Sound & Northern property? A.—Well, that was a part of it.

Q.—Well, do you mean to say that Foley, Welch & Stewart are out anything on the Howe Sound property? A.—Oh, yes, I do. Mr. Gamble's estimates show what we got back out of the Howe Sound purchase was \$180,000, and the balance of that is outstanding.

Q.—Why did Mr. Gamble refuse to give you more? A.—Mr. Gamble could not pay for townsite lands that did not come under the "Railway Act."

Q.—Well, your Company has purchased something from this Company? A.—Yes; there was some seven miles of track.

Q.—And the Development Company has been paid \$180,000 for it? A.—The Railway Company paid \$180,000 for it.

Q.—And so far as the Railway Company are concerned they have been reimbursed for everything they have put into that purchase? A.—No. You see, that \$850,000 includes the terminals, and they have not been reimbursed for that. Mr. Gamble cut that out of the estimates, and all we hold is a note.

The Chairman: Did Mr. Gamble pass the seven miles of track in his estimates? A.—Yes.

Q.—And that has been paid for? A.—Yes.

Mr. Taylor: But he would not pay for this other? A.—No.

Mr. Hanes: Mr. Chairman, I understand that those terminals are in the name of the P.G.E. Development Company. A.—Yes.

Mr. Taylor: If Mr. Gamble is right in not paying the balance as far as the Railway Company are concerned, then your statement about Foley, Welch & Stewart having put up this money on the basis of Mr. Gamble's ruling is not a statement of fact? A.—It is a statement of fact. This money was paid out under the instructions of the Government, and the arrangements were concluded in the Prime Minister's office.

Q.—Have you those instructions in writing? A.—It was at a meeting attended by Sir Richard McBride and Mr. Bowser.

Q.—But you say they were paid under the instructions of the Government? A.—They were paid under the instructions of the Government delivered *viva voce* in the Premier's office, and we had to do it.

Q.—That had to do with the amalgamation of the two companies, hadn't it? A.—No. That amalgamation took place a year afterwards.

Mr. Taylor: Gentlemen of the Committee, I will draw your attention to the section referring to that matter. It is first dealt with in section 15 of Schedule A agreement, chapter 34 of 1912. Section 15 of the agreement: "In the event of the Company acquiring by purchase any section or mileage of any other railway property forming a portion of the said line, such acquired section or mileage shall be deemed constructed line within the meaning and for the purpose of this agreement and the guarantee hereunder." Then it is next dealt with in sections 37 and 38 of chapter 36 of 1912. That is the Act of Incorporation. "The said Company may, with the consent of the Lieutenant-Governor in Council, amalgamate with such other company as may be approved."

Mr. Pooley: What other section is that?

Mr. Taylor: Page 213 of the Statute.

Q.—Any such amalgamation may be by deed, which, however, shall not have any force or effect until it shall have been submitted to or approved of by two-thirds of the votes of the shareholders of each company party thereto at an annual meeting or at a special general meeting or each company duly called for the purpose thereof," etc. The effect of the amalgamation is the next section, which I shall not read. Now, you mean to say you did not put through an amalgamation in the words of those sections? A.—Oh, yes, eventually we did.

Q.—And you got an Order in Council? A.—Yes.

Q.—What has that got to do with the payment of \$1,100,000 by Foley, Welch & Stewart? A.—Simply that we paid out to the Howe Sound & Northern Railway Company the price of \$1,100,000, and the negotiations were carried on in the Prime Minister's office and concluded there.

Q.—Well, now we will have to deal with that when we get Mr. Gamble here, but we are dealing now with the shares—the 25,900,000 fully paid-up and non-assessable shares to Foley, Welch & Stewart, which you will understand, so far as I am concerned as counsel, I am attacking. Section 31 of your Incorporation Act is the next section I will draw your attention to. I have already drawn your attention to section 21. Section 21 deals with the paying of those shares and the issuing of fully paid-up shares, and it gives the sole purposes for which they can be issued. Section 31: "The provisional directors or the elected directors may pay, or agree to pay, in paid-up stock or in bonds or debentures of the Company, such sums as they may deem expedient to engineers or contractors, or for right-of-way or material, plant, or rolling-stock. Any stock issued as paid up in respect of any of the matters aforesaid shall be fully paid-up capital stock of the Company." Now, that is the only provision permitting fully paid-up shares to be issued. Now, how do you bring the issue of \$24,900,000 and the balance of \$60,000 to be paid on the \$100,000 subscription under this section? A.—Well, the recitals in the agreement that you have read are my best answer to that, and I might also add that there was a distinct understanding with the Government, or with the Prime Minister of the Government, that any formal amendments to our legislation that might be required from time to time, in order to perfect the arrangement with the Government, would be forthcoming.

Q.—Do I understand you, as counsel of the Company and as vice-president, state that you are of the opinion that those shares were properly issued under that or any other section of the Act of Incorporation? A.—I would say they were so long as there were no shares outstanding in the hands of the public.

Q.—Then, why have you submitted a draft Bill to be passed by this Legislature? A.—In pursuance of my arrangement with Sir Richard McBride, that Bill should have been in his hands in 1913.

Q.—If you have issued these shares, why did you, with Sir Richard McBride, and now with this Government, try to get the draft Bill passed to ratify the issue? A.—To put it beyond doubt, and to make our legislation conform with the Grand Trunk Pacific legislation. Sir Richard McBride, before I went to England in 1913, assured me it would be put through, and I was absent during the session or it would have been put through.

Q.—Now, I will refer to it again. You have it in two Bills, if I remember correctly?
A.—That Bill that you are referring to was drawn first in 1913.

Q.—Well, it was submitted to Mr. Oliver by letter only a few days ago.

Mr. Pooley: I would suggest you put it in, Mr. Taylor, and mark it as an exhibit.

A.—You should read my letter that that had reference to the antipathy—

The Chairman: What is the first exhibit you have there?

Mr. Maclean: This will be Exhibit 11.

Mr. Taylor: I will put them in as two exhibits.

Witness: This legislation was put in in the form of three or four Bills.

Mr. Pooley: That is the proposed Bill of 1913.

Mr. Taylor: I will read the letter; this is the letter of the 28th February, 1917, from Tate to the Hon. John Oliver, Minister of Railways. It will be exhibit what—Exhibit 11:—

“Referring to your letter of January 6th, the audit of our books under clause 12 of the Company’s agreement with the Government has been finished and the auditors’ report made thereon. I understand, of course, that you have not yet come to a decision with respect to the policy that the present Government intends to adopt towards our undertaking. There may be some delay in reaching a decision in this regard, and I am not in any way intending unduly to urge you in the matter.

“I would respectfully ask, however, to be permitted to point out that our Company requires legislation in certain respects, and I think it is essential in the interests of the Company that such legislation should be passed during the ensuing session. The legislation necessary relates to the following matters:—

“(1.) To amend the Pacific Great Eastern Incorporation Act in regard to the issue of paid-up stock.

“(2.) To confirm the amalgamation of the Pacific Great Eastern and Howe Sound & Northern Railway Companies.

“(3.) To extend the time for proceeding with the construction of the Peace River Extension and the doing of things ancillary thereto.

“(4.) To amend the ‘Loan Act’ of 1916 in regard to the registration of the mortgage, and declaring the issued stock of the Pacific Great Eastern Railway Company and the Pacific Great Eastern Development Company as fully paid up and non-assessable.

“(5.) To authorize the purchase by the Government of the Pacific Great Eastern Railway securities at present on pledge with the Union Bank of Canada.

“(6.) To enable the Railway Company to take title to its townsite lands in the name of the Development Company.

“I may say that the Company has been endeavouring to obtain some of this legislation for a long time past, and a consideration of the matters involved will, I am sure, satisfy you as to the necessity of adjusting these matters by the necessary legislation during this session.

“It was the practice of the late Government to treat all Bills relating to our Company as public Bills, so as to obviate the necessity for notice as in the case of private Bills.

“You will readily appreciate the desirability of having all legislation passed, whether implementing the powers of the Pacific Great Eastern Companies or confirming powers already assumed to have been granted for the purpose of enabling the companies to proceed with their several undertakings and transacting all business in relation thereto without being hindered, delayed, or embarrassed by any insufficiency of the powers that should properly be included in their charters, and removing all possible technical objections with which the companies have heretofore been confronted from time to time.”

That will be Exhibit 11. It was signed by D’Arcy Tate, vice-president. The Minister of Railways replied on March 1st, 1917, which will be Exhibit 17:—

“D’Arcy Tate, Esq., K.C.,

Vice-President, etc.

“I am in receipt of your letter of yesterday, suggesting necessary legislation in regard to your Company’s interests. Might I suggest to you that it would facilitate matters if you submitted a draft Bill governing the matters which you mention in your letter.”

That is signed by the Minister. Then on the same day—this will be Exhibit 13—March 5th, 1917, Mr. Tate directed to the Honourable John Oliver his answer, reading as follows:—

"Referring to your esteemed favour of the 1st inst. in answer to my letter of the 28th ult., I now enclose six draft Bills following the subjects numbered 1 to 6 in my letter, and will be pleased to consider these with you at any time convenient. Bills Nos. 4 and 5 are in the name of the Minister of Finance, as I assume, if you approve of this legislation, you will turn the measures over to him to be introduced in the House, as they properly belong to his Department."

And then I will come to the Bills, which I will refer to in a moment.

(Letter read and marked "Exhibit 14.")

Mr. Maclean: That will be Exhibit 14?

Mr. Taylor: Well, I have not referred to them yet specifically, but I will later.

Q.—Now, you have told us in those letters that some of those Bills you have been requesting from the late Government for a long time past, or some words to that effect? A.—Yes.

Q.—Which Bills were those? A.—The one relating to the issue of paid-up stock.

Q.—That is, Bills Nos. 1 and 4 referred to in your letter, Exhibit 11? A.—Yes.

Q.—And in what others? A.—Well, that first one—that was handed to Sir Richard McBride in 1913 when I was in London. Before I went away it was handed to him.

Q.—Which one? No. 1 or No. 4? A.—The one about the issue of the paid-up stock.

Q.—That was, you wanted to amend the Pacific Great Eastern Act in regard to this paid-up stock. A.—Yes, we wanted to put in a clause there identically the same as the Grand Trunk Pacific, which allowed the stock to be issued as paid up.

Q.—Well, I have not anything to do with that; and Sir Richard McBride did not accede to your request? A.—Yes, he did accede to it. He promised it would be put through at the session.

Q.—When? A.—In December, 1913.

Q.—They were in power until 1916—November; and in the meantime what happened? A.—Well, in the meantime I went to London, and Mr. Luxton and Mr. Thomas had charge of the legislation, but it fell by the wayside.

Q.—In the meantime you had several Acts passed by the Parliament. Why didn't you get this one passed? A.—I don't know. They put through the additional guarantee.

Q.—You gave me that some time ago as February, 1913. And you had this legislation put through in 1916, and you had a fair share of legislation put through afterwards. Now, why did not Sir Richard McBride put through this one? A.—I don't know. He should have put it through.

Q.—The Government of the day advised you then it was an illegal transaction? A.—They did not. And Mr. Luxton and Mr. Thomas, who had charge of that matter, they can speak about that.

Q.—Well, then and now, you or your Company want this legislation? A.—We do.

Q.—And you still tell us that the \$24,900,000 was properly issued by virtue of the agreement and by virtue of Schedule A? A.—Yes, I think so.

Q.—You are blowing hot and cold. A.—I want to put it beyond peradventure. And that is the way I spoke to Sir Richard McBride about it. I would feel better to-day if the thing was validated by an Act.

Mr. Hanes: Mr. Chairman, I would like to ask a question just now.

Mr. Pooley: Might I suggest that you put those draft Bills in the records.

Mr. Hanes: You have stated, Mr. Tate, that this \$24,900,000 shares was issued to Foley, Welch & Stewart? A.—Yes.

Q.—And you keep repeating that? A.—Yes.

Q.—I understand from the returns brought down in the House last year you own six million. A.—Well, I stated that they got that \$24,900,000, and the same day that they got that they assigned to me 25 per cent. of that, but it was not issued to me.

Q.—Well, the returns of the House show that you owned so many shares? A.—Yes, that is right.

Q.—Well, shouldn't you include yourself as owning those shares when speaking of Foley, Welch & Stewart? A.—Yes, I do. I say that the stock was not issued to me in the first instance. It was issued to Foley, Welch & Stewart, and then Foley, Welch & Stewart, assigned to me 25 per cent., and I am now the owner of it.

Q.—You still own one million. Now, Mr. Tate stated that this stock was not of any value awhile ago? A.—No; would you like to buy some of it?

Q.—Now, Mr. Chairman, I would like to ask Mr. Tate what representations he made in order to get a loan of \$6,000,000 and give stock in security if it is valueless? A.—We hope, Mr. Hanes, as soon as Foley, Welch & Stewart are finished, that that road and that stock will be worth something some day, and that the \$2,000,000 stock the Province now holds will be worth par.

Q.—Then Mr. Tate states he still owns \$3,000,000 worth, and under this section 31 that stock could be only issued to contractors and engineers? A.—It was not issued to me. I got mine, you see, from Foley, Welch & Stewart. They assigned that to me.

Q.—But you hope in time that it will be worth par value? A.—Yes.

Mr. Taylor: You don't contend that Foley, Welch & Stewart were contractors under the meaning of section 31. A.—No.

Q.—Because that would conflict with section 110 of the Act? No, I am not trying to justify the issue of stock under that section.

Q.—You want that confirmed by legislation, however. I will give you the exhibit numbers. Exhibit 14—that is the one entitled “An Act to amend the ‘Pacific Great Eastern Incorporation Act, 1913.’” “This Act may be cited as the ‘Pacific Great Eastern Incorporation Act, Amendment Act, 1917.’” “Section 31 of the ‘Pacific Great Eastern Incorporation Act,’ being chapter 36 of the Statutes of British Columbia, 1912, is hereby amended by inserting the following words after the word ‘contractors’ in the fourth line thereof: ‘or for rights, privileges, guarantees, or services’; and by inserting the following words after the word ‘stock’ in the fifth line thereof: ‘already issued or that may hereafter be issued’”; so that it would read as amended just as you desired, as follows: “The provisional directors or the elected directors may pay or agree to pay in paid-up stock or in bonds or debentures of the Company such sums as they may deem expedient to engineers or contractors, or for rights, privileges, or services, or for right-of-way, material, plant, or rolling-stock. Any stock already issued or that may hereafter be issued as paid up in respect of any of the matters aforesaid shall be fully paid-up capital stock of the Company.” Now, when we look at that agreement of the 15th October, 1912, by which Foley, Welch & Stewart got all this 24,900,000 shares it says “services rendered or to be rendered”? A.—Yes.

Q.—And that is why you put these words in here, “for rights, privileges, guarantees, or services”? A.—Yes.

Q.—Recognizing fully that the legislation as it stands at present is very doubtful? A.—Well, it was putting it beyond peradventure.

Q.—That is Exhibit 14. And the other Bill referring to this matter—— A.—That was for the protection of the Government. The other Bill was designed so that their stock would not be attacked as not being paid up.

Q.—If it is not worth anything they would not lose anything? A.—Well, it will one day be worth something, we hope.

Q.—The next one is Exhibit 15, entitled “An Act to amend the ‘British Columbia Loan Act, 1916,’” which reads as follows: “An Act to amend the ‘British Columbia Loan Act, 1916.’” “This Act may be cited as the ‘British Columbia Loan Act, 1916, Amendment Act, 1917.’” “Subsection (1) of section 8 of chapter 38 of the Statutes of British Columbia, 1916, being the ‘British Columbia Loan Act, 1916,’ is hereby amended by adding thereto the following as subsection (3): ‘(3.) Shares in the share capital of the Pacific Great Eastern Railway Company now issued to the amount of twenty-five million dollars are hereby declared to have been legally issued and to be fully paid up and non-assessable.’” That not only covered the \$12,500,000 of the Government, but the \$12,500,000 still retained by yourself and Foley, Welch & Stewart? A.—Yes, the whole thing.

Q.—And that section is put in the “Loan Act Amendment”? A.—Yes.

Q.—“And section 13 is hereby amended by adding the following words to clause (a.) thereof: ‘the mortgage and charge executed hereunder shall be registered in the same manner.’” I don't think I should read that. The last section in this suggested draft Bill is as follows: “Shares in the capital stock of the Pacific Great Eastern Development Company, Limited, now issued to the amount of \$25,000,000, are hereby declared to have been legally issued and to be fully paid up and non-assessable.” That is right? A.—Yes.

Q.—Then Foley, Welch & Stewart have taken over the shares of this Development Company in the same way? A.—Why shouldn't they?

Q.—Well, they have. A.—They paid out \$2,000,000 in cash for the capital stock of the Company.

Q.—If that is true, it didn't need any ratification by this legislation, did it? A.—Well, it is just a formal ratification, that is all. All the lands owned by the townsite—

Q.—Things that are legally correct don't need any ratification. You know that as a lawyer. Now, why did you put that there? You thought it was necessary for the issue, didn't you? A.—It was simply to put it beyond all peradventure; that was the whole thing, in order to avoid any question being raised hereafter.

Q.—I filed the other draft Bills as follows: "An Act to confirm the Amalgamation of the Pacific Great Eastern"—that is Exhibit 16. That I will not read just now. A.—We have an Order in Council. That is simply ratifying an Order in Council.

Q.—And Exhibit 17; "An Act to amend the 'Pacific Great Eastern Aid Act, 1914.'" This may be referred to in other connections. And Exhibit 18: "An Act to Purchase certain Securities of the Pacific Great Eastern Railway, entitled 'Pacific Great Eastern Securities Purchase Act, 1917.'" And Exhibit 19: "An Act to amend the 'Pacific Great Eastern Agreements Act.'" It is just 10 minutes to 1 now, Mr. Chairman, and we might adjourn now.

The Chairman: Are you going to sit to-night?

Mr. Taylor: Yes, I am prepared to go ahead with Mr. Tate.

The Chairman: Then we will adjourn until 8 o'clock.

Mr. Hall: I move that we adjourn until 8.

Mr. Hanes: I second Mr. Hall's motion.

Mr. Pooley: I think we had better make it 8.30 to give us time for dinner.

The Chairman: Very well, we will make it 8.30 and we will sit until 10.30.

Session adjourned until 8.30 this evening.

FOURTH SESSION.

TUESDAY, March 20th, 1917.

Meeting called to order at 8.30 p.m.

Examination of Mr. Tate resumed.

Mr. Taylor: There were some matters that were to be produced this evening; Mr. Welch's original figures for the contract of 23rd September, 1912. What is this that you produce, Mr. Tate? A.—That is the draft of the contract. The figures are in Mr. Stewart's writing, and it is evidently the draft from which the engrossment was prepared, because there is the pencil at the top throughout the two copies in my writing.

Q.—Welch's contract, in pencil at the top, two? A.—That means two copies, two engrossed copies.

Q.—This is nothing more or less than the duplicate of a contract which has been already filed between the Pacific Great Eastern Railway Company and P. Welch? A.—Yes; it is the original draft, I would say; that is all.

Q.—And it is typewritten, on the 23rd day of September, 1912, and that is when that meeting was held where P. Welch resigned, on that day, the 23rd day of September, 1912, so that he could enter into this contract; so that it was not something that was created before the 23rd of September, 1912. My question went to negotiations that took place before the 23rd of September, 1912? A.—Well, that document has been prepared by me on instructions before that date; it is typewritten, and the figures there are in J. Stewart's writing.

Q.—I suggest to you that the typewriting of this agreement made the 23rd of September, 1912, shows that it was not created until that day? A.—No, it would be created before that day; we knew there was to be a draft made before the 23rd September. I had a discussion with Stewart about that contract before.

Q.—You have no independent recollection of the day when this draft was typewritten? A.—No.

Q.—Then the stenographer's work is that this agreement is made the 23rd of September, 1912.

Mr. Maclean: That is your idea of it.

Mr. Taylor: Not my idea, pardon me.

Q.—Then, without speculating too much, you have, as you say, no independent recollection of the day that this typewritten document was created? A.—No; but I have an independent recollection that the terms of the contract were discussed between Stewart and myself before.

Q.—That you told us this morning; but what I am asking you about is something in writing that took place prior to the 23rd of September, 1912; is this all that you produce as showing anything of that nature? A.—Yes; but I am satisfied, Mr. Taylor, that that document was prepared before the annual meeting, and before the holding of the meeting on the instructions of the president or by arrangement with him. It may have been typewritten before, but it was ready for Stewart when he came over from Vancouver.

Q.—In this same document that has this handwriting in, opposite the typewriting, I see several things also in handwriting—lineal feet, 75 per cent., November 15th? A.—Yes.

Q.—Was that part of that handwriting; was it put in, November 15th, right in the body of this? A.—That is Thomas's writing.

Q.—Whose writing is this? A.—That is Stewart's.

Q.—And this is Thomas's? A.—Yes.

Q.—Going on with that page there? A.—This thing was prepared before the 23rd of September because the meeting was held in Vancouver, and these were typed in Victoria; I brought that over with me; it must have been prepared before.

Q.—Was the meeting actually held on the 23rd of September? A.—Oh, yes, absolutely.

Q.—You are quite sure of that? Then this could be more naturally prepared afterwards, and made as of the date of that meeting? A.—Oh, no.

Q.—At the bottom here is: Crossing, \$32, June, 1913; by setting drains, \$2, November, 1913; Marine Drive, September, 1914, crossing? A.—That is an office copy contract that Mr. Thomas would naturally be keeping up to date for his own purposes.

Q.—That was written in by Thomas? A.—That is all in his own writing.

Q.—At the top of the next page, November 13th, \$4, February 14th; that is also Thomas? A.—Yes.

Q.—Iron in ferry-slips, 16 cents, in May, 1913? A.—That is Thomas's writing.

Q.—That is all Thomas's? A.—He is keeping this up to date.

Q.—Apparently all the stuff that is not Thomas's has been put in in pencil and inked over by some person. Will you say that the ink is in Mr. Stewart's handwriting? A.—No; I should say that the pencil is in his handwriting.

Q.—The pencil is not now legible except in a few instances? A.—That would not be Mr. Stewart's writing.

Mr. Maclean: When you refer to it, refer to the pages, so that we can get this down intelligently on the record.

Mr. Taylor: On all the pages? A.—I would say that that document is something that Mr. Thomas prepared; that is an office copy of the original contract for his own convenience, and he has put all the amendments in as they took place; you can see that.

Q.—You are now referring to the document, Exhibit 20? A.—Exhibit 20.

Q.—That is an office copy of the original document? A.—Yes.

Q.—I thought this document, Exhibit 20, that you produced was supposed to be something which was in existence before the 23rd of September, 1912? A.—No, I didn't produce it; Mr. Thomas produced it at your suggestion.

Q.—Can you tell me whose are those ink figures on the pencil, so that the gentlemen of the Committee can see what I am referring to; all these crosses, these ink figures; in whose handwriting are those ink figures? A.—I think they are Mr. Thomas's handwriting.

Q.—And the pencil, which, as I said before, is hardly discernable except in some instances, you think was Mr. Stewart's? A.—Yes.

Q.—I will ask all the gentlemen of the Committee to look at that particular exhibit, and pass it back to the Secretary after it is passed around. The ink is supposed to be Mr. Thomas's. Now, is there anything else that you have to show negotiations that you think might have been before the 23rd of September, 1912—namely, the date when Mr. P. Welch got his contract from the Company? A.—I am not producing that for that purpose, Mr. Taylor; that is something that Mr. Thomas has referred to, and I attach no importance to it at all.

Q.—Then I will ask you, can you produce anything in writing showing any negotiations between Mr. Welch and your Company as to his prices prior to the 23rd of September, 1912? A.—Nothing in writing, no, as I said this morning.

Q.—Can you produce anything in writing that will show that there were any special occasions in existence on or prior to the 23rd of September, 1912? A.—Not unless the chief engineer has got it; I have not anything.

Q.—You were also to produce the power of attorney. (To Secretary: Will you mark that when it gets around to you?) You were also to produce the power of attorney of Mr. E. T. White, referred to; I believe Mr. Thomas phoned me about that; a notarial copy will be here to-morrow.

(Mr. Thomas: Yes.)

Mr. Taylor: Will you produce the share-certificate book and the share-book, the share register? A.—This is the stock-subscription book.

Mr. Maclean: The stock-subscription book that you wanted for the \$100,000?

Mr. Taylor: Yes, and then the share register. (Produced to Mr. Taylor.) This will be Exhibit 21; it is the stock-subscription book showing that on March 25th, 1912, according to this book, Timothy Foley subscribed for 200 shares of the par value of \$20,000; P. Welch, same date, same number of shares, same par value; J. W. Stewart, per D'Arcy Tate, attorney, 200 shares, \$20,000 par value; D'Arcy Tate, 200 shares, \$20,000 par value; Donald McLeod, per D'Arcy Tate, 100 shares of \$10,000 par value; Vernon S. Wood, per D'Arcy Tate, attorney, 100 shares, \$10,000 par value. And those were the only shares that have been subscribed in this Company? A.—That is so, subscriptions; that is all I know.

Your subscription, Mr. Tate, would be one-fifth of the total, and therefore if you paid, assuming you had paid one-fifth of \$40,000, that would be \$8,000 to be paid into the bank pursuant to the Statute? A.—Yes.

Q.—In order to enable your Company to have their first meeting of shareholders? A.—Yes.

Q.—Do you say now, having thought the matter over, that you cannot remember whether you paid that \$8,000 or not? A.—I didn't say that this morning; I said that the \$40,000 was paid in the accounts between Foley, Welch & Stewart and myself, and that they were adjusted. I have the bank-book showing the \$40,000 paid into the Union Bank.

Q.—Will you be kind enough to tell me the dates? A.—The payments you will find, March 12th, \$10,000; June 17th, \$15,000; and July 27th, \$15,000.

Q.—Now you produce as Exhibit 22, pass-book of the P.G.E.R. in the Union Bank of Canada? A.—Vancouver.

Q.—Vancouver, B.C., yes; if you don't mind we will mark those items that you have referred to? A.—This is the first one. (Indicating.)

Q.—The first one is March 12th, 1912, \$10,000 deposit; the next one is a deposit of June 17th, 1912, \$15,000; the next one is July 27th, 1912, \$15,000; do I understand that you recognize those items? A.—Yes.

Q.—As being the moneys paid by these different subscribers? A.—Or on their account, yes.

Q.—And for the purpose of paying up the subscriptions? A.—Yes; the arrangement was definitely made at the time and I have a very clear recollection of it.

Q.—Is it in writing? A.—Oh, it may have been in writing, I could not say; I was in Winnipeg when the matter was brought up first, when it was arranged with Mr. Welch, Mr. Stewart, and myself.

Q.—Do you remember who paid the actual advance, this \$10,000, March 12th, 1912? A.—I think——

Mr. Maclean: I thought that was March 1st?

Mr. Taylor: March 12th, 1912? A.—I think that might have been advanced by Stewart.

Q.—Do you say it was, or was not? A.—I cannot say, but I would say that Welch, I think, was primarily charged with the duty of seeing that that \$40,000 was taken care of, because of Stewart's being in Vancouver and me being in Winnipeg at that time, and Stewart being on the move; I think Welch was the one that attended to it.

Q.—You are not now speaking from a definite recollection of the \$10,000? A.—I am speaking from a definite recollection that that \$40,000 was subscribed.

Q.—I am examining now on the different items. A.—Yes.

Q.—Are you speaking from definite recollection that this money, that \$10,000 of March 12th, 1912, was put up in that way? A.—Yes, the money was put up specifically as part of the \$40,000.

Q.—Are you absolutely sure, by whom, are you sure? A.—No, I am not absolutely sure, no.

Q.—June 17th, \$15,000; can you say who put that money up? A.—I could not, that is just in the same manner; I will say, probably Welch, as to that \$15,000; and also as to the final \$15,000, probably Welch.

Q.—The last one is marked Foley. A.—Foley, is it?

Q.—Yes, yes; Foley, \$15,000. A.—It may have come through Welch, though.

Q.—That is July 27th; of course, that \$15,000 was after the date of your meeting, but 10 per cent. was all that was necessary; that would be \$10,000, and there was more than that up before the date of the meeting. (That will be Exhibit 22—bank-book.) It is a matter of importance, and I don't want you to think that I desire to pry into the matter unduly, because I don't. A.—I know. We had the \$40,000 to start with.

Q.—I wish to get on to something else. From my standpoint, right or wrong, it is important for me to know whether you personally advanced your money? A.—Well, I know that I personally settled my accounts with Foley, Welch & Stewart, and the sum——

Q.—And you actually disbursed this money? A.—Oh, yes; our accounts were adjusted, they were adjusted between us.

Q.—It actually resulted in your disbursing this sum? A.—Yes, that is my answer to you.

Q.—Pardon me, does it mean that you actually paid it? A.—I could not say that.

Q.—By contra-account or cash? A.—Oh, yes; oh, yes; I can say that.

Q.—You actually paid \$8,000? A.—Yes.

Q.—In a *bona-fide* way? A.—Oh, certainly.

Q.—Very well, that is all. The reason is, as I said before, not to pry into your affairs, but because a director cannot qualify on any gift shares. We put in several letters this morning attached to the contract of the 23rd of September, 1912, made with P. Welch. Those letters from time to time indicated certain prices that would be governing prices for the succeeding estimates. Mr. P. Welch, as a matter of fact, in nearly every instance fixed those prices, didn't he? A.—Well, they were fixed between him and Mr. Callaghan; they were not fixed in the vice-president's office.

Q.—I suggest to you that Welch fixed those prices, and I am prepared to show that some of those letters were to you and were forwarded by you subsequently to Callaghan? A.—Yes.

Q.—Now, I suggest to you that Mr. Welch fixed those prices, and notified you, and you notified Callaghan? A.—Well, it was not done by Welch *ex parte*, though.

Q.—It was practically so, that is my suggestion? A.—No, I would say not; while General Stewart and Callaghan were in Vancouver, they were fixed then; after Stewart went away my understanding and instructions were that Callaghan and Welch agreed upon those prices.

Q.—Do you say that Mr. Welch didn't write you and fixed the prices, and you notified Callaghan then? A.—Oh, no; I should say that Welch did write me, but it was after his having fixed the price with Callaghan.

Q.—Was there any one instance where you disagreed or where your Company disagreed with the prices that Welch demanded? A.—Well, that is not a proper form of question, hardly; Welch didn't demand any prices.

Q.—That word is not intended there to be offensive at all. A.—No.

Q.—I didn't intend it that way. A.—He didn't demand any price.

Q.—Well, any price that Welch requested or put up to you, if that suits you better? A.—I think, if you ask Mr. Callaghan, you will find that there were refusals made; those prices were not fixed with me.

Q.—I ask, to your knowledge, was Mr. Welch's request of a price in any one instance or in any manner varied? A.—Well, not by me personally.

Q.—No, or with your knowledge; was it in any way varied, then we will come to Mr. Callaghan afterwards? A.—Yes; I would say that Callaghan was criticizing Welch's prices, the last two or three years.

Q.—Can you give me any one criticism, or do you know that he did? A.—Yes, I am satisfied he did.

Q.—Have you any specific instances in mind? A.—No, I have not.

Q.—Have you a letter which shows such a position? A.—I do not have anything only the usual circumstances, and I knew the general tenor of dealing between them.

Q.—Have you any letter from Callaghan, the chief engineer here, that would show anything of that sort? A.—No, I don't think so, not the prices.

Q.—There were numerous letters attached to the contract of the 23rd of September of 1912, which have been referred to this morning? A.—Yes.

Q.—Very well. You said something this morning about Foley Bros., Welch & Stewart, or Foley Bros. & Stewart? A.—Foley, Welch & Stewart.

Q.—Supplying certain equipment to P. Welch; have you thought that matter over since? A.—No.

Q.—There was an equipment company formed, was there not? A.—Not as a general company; that was for rolling-stock purchased subsequently, making the new engines and cars, and so on.

Q.—The Company's powers are to deal with contractor's equipment, outfit, plant, steel, etc.; this is the copy of your charter of that company? A.—Of course, I don't know anything about that company.

Q.—Did you not form that company? A.—No, not in our office at all.

Q.—This is a copy of the charter?

Mr. Maclean: Well, where is the original?

Mr. Taylor: Of course, they would have it; Mr. P. Welch would have it? A.—Yes, he would have that.

Q.—I would like to ask for its production in the meantime. A.—He may bring those things down.

Q.—Do you mind looking at that and see if it is a correct copy; it is obtained from the Department?

Mr. Maclean: I prefer to have the original; I do not like copies and recollections of what are copies, and if the original is around, I do not see why we should not have the original.

Mr. Taylor: I will make a memo of it so that we can have it here to-morrow.

Witness: Mr. Taylor, the plant that I was referring to coming from the G.T. contract would not be what would be included, I fancy, in that equipment company. That equipment company, as I understood it, was organized to take care of newly purchased rolling-stock, engines, and flat cars.

Q.—Apparently, as you say, you have no knowledge of this equipment question? A.—No, only in a general way.

Q.—And what you have spoken of this morning and the matters we have referred to now are something of which you have no personal knowledge? A.—I have no personal knowledge of the equipment company; I speak of the Grand Trunk Pacific, because I have had a statement sent to me in respect of it.

Q.—Following along with the question of equipment, are you prepared to say that any equipment that was placed upon that work was not equipment that was used by P. Welch as a contractor? A.—I don't quite understand you.

Q.—Is it not a fact that all equipment that you referred to this morning was used by Welch as a contractor? A.—Yes.

Q.—And hence it would be something that he would have to pay Foley, Welch & Stewart or some person for? A.—That was provided—

Q.—He would have to pay some persons for the use of it? A.—That was provided to the contractor by Foley, Welch & Stewart.

Q.—And he would pay for it, as I say? A.—Yes.

Q.—A fit remuneration? A.—Well, that was part of Foley, Welch & Stewart's contribution to the P.G.E.R. undertaking.

Q.—For a fit remuneration from Welch, the contractor; they didn't make him a present of it, did they? A.—Not on my instructions; my instructions were that Foley, Welch & Stewart put that in the P.G.E.R. undertaking.

Q.—They didn't transfer it to the P.G. Railway Co. You know, Mr. Tate, as a lawyer, what I am referring to, and the manner in which the P.G.E.R. could get that, in the circumstances of this case—the only way in which the Railway Company could get it would be to have it transferred, practically as a gift, or as a payment on account of shares. There was no

subscription for shares to justify any such transfer, that is to say, any such transfer as was made; the only way it could get it was to hire it out to P. Welch, in which case it would not be the Railroad Company's business? A.—I do not think you quite appreciate that, Mr. Taylor. This equipment when it finished with the G.T.P. work, could be sold at a certain price; it had a certain value; it was turned over to P. Welch and was used in the construction of the P.G.E.R. Now, that plant and equipment is pretty well gone; it is no longer of any appreciable value to the firm.

Q.—Do I understand that you know it was turned over to Welch to use under his contract without any remuneration from Welch? A.—It was charged up to the P.G.E.R. at a figure; I am not saying that they put so much into the P.G.E.R., but that plant was taken in at a certain figure, approximately \$1,000,000.

Q.—Mr. Tate, you being a lawyer, do you know whether it is any feature of Welch's contract with your Company that your Company has to supply him with any machinery? A.—No, no, it is not, but it is a feature; it is a contribution to the work; it is an expression of confidence of Foley, Welch & Stewart to the Government that they would help them build this road, and it is part of their contribution.

Q.—You do not mean that, do you? A.—I certainly do; and I have given a statement to the Government showing that position; they have those statements now.

Q.—Well, let us get this matter straight. The P.G.E.R. didn't in any sense actually build this road, did they; it was done by Welch as contractor? A.—Yes.

Q.—P. Welch & Co. got paid a price according to the terms of the contract, which speaks for itself, to do that work, and could get the plant from any source which he might see fit; is not that true? A.—Well—

Q.—Is there any question about that? A.—No, I do not quite see the significance of the question; I do not appreciate what the question is.

Q.—Here is the contract filed under which Welch agrees to construct that road, giving the terms and specifications, which means that he supplies the shovels, and rails, and cars complete; he has to do the work? A.—Yes.

Q.—There is no question about that, is there? A.—That is right.

Q.—What earthly reason would the P.G.E.R. have of getting plant from any person for the benefit of a contractor when they paid him a certain figure for building this road; why would they have to make him a present of the machinery to use as well? A.—I am only telling you where he got that machinery from.

Q.—He must have paid for it; and if he didn't pay for it, that is a matter between him and Foley, Welch & Stewart, it has nothing to do with the P.G.E.R.? A.—They could have sold that plant for \$1,000,000 at the time that they finished the Grand Trunk Pacific work; they didn't do that.

Q.—If they preferred to hire it out or make some arrangement with Welch, what has that to do with Foley, Welch & Stewart getting all this amount in shares for nothing? A.—Not for nothing; they put in that plant.

Q.—It was one of the reasons that was given by you this morning, that this was the consideration for the shares; that was what you stated this morning? A.—That was part of the consideration, yes, and part was the contribution in money.

The Chairman: Just one question on that, Mr. Taylor, if you are through with that point; I don't want to interrupt.

Mr. Taylor: Not at all.

The Chairman: Was the contract price to the Railroad Company which was made with Welch reduced in any way in consideration of them supplying the equipment? A.—No, I don't think it was.

Mr. Taylor: We were referring to the Development Company also this morning casually, and to Mr. White's connection with it, E. F. White; Mr. White was the secretary-treasurer of the Company? A.—Yes, he is now the treasurer.

Q.—The business of that Company was conducted by Mr. White until lately? A.—Well, possibly; Mr. Thomas is the secretary.

Q.—That is, Mr. White is the treasurer? A.—Mr. White has been the treasurer from the beginning.

Q.—And until lately White was both secretary and treasurer? A.—Yes, until Mr. Thomas's appointment.

Q.—And he did practically all the work of the Company? A.—He did most of it.

Q.—But during all the time of his work in the Company, the P.G. Development Co. was in the office of P. Welch in Vancouver, B.C.? A.—Yes.

Q.—He was holding Welch's power of attorney and acting under Welch's pay? A.—Yes, I suppose so.

Q.—On the question of equipment, do you know that the Equipment Company, or P. Welch, or Foley, Welch & Stewart have sold any plant that is being used on this railroad-construction? A.—Not to my knowledge.

Q.—Have you heard of it? A.—I have never been told of it.

Q.—Have they made sales to the Pacific Mills, Limited, formerly the Ocean Falls Company, of equipment, and took it from the northern part of this road near Fort George; have they not? A.—I don't know anything about that.

Q.—You don't know about that? A.—No.

Q.—While on that— A.—Do you want to see the stock register?

Q.—That is right, pardon me.

Mr. Maclean: What is this?

Witness: The stock register.

Mr. Taylor: You produce now the stock register; this purchase register of shares shows the following, as to each and all of you: On April 4th, 1912, there was an allotment to Timothy Foley of 200 shares, and credited as paid on account, \$2,000; and on June 17th there was a first call of \$3,000; July 27th, second call of \$3,000; that applies also to P. Welch, with practically the same dates and the same amounts; as far as this book is concerned, it applies in identically the same way to J. W. Stewart. And the same applies to D'Arcy Tate, and the same, but different amounts, to Donald Macleod, because he subscribed for only half the amount, and hence there are half the credits, but exactly the same dates; the same to Vernon W. Smith; he subscribed for only 100 shares, and hence it is half the amount; that shows plainly that whatever moneys were paid were divided equally between all the gentlemen who subscribed? A.—Yes.

Q.—Irrespective of whether they personally put up the money or not? A.—As to the amounts for Smith and Macleod, I do not know anything about those; of course, they were in Mr. Stewart's office; but as far as Foley, Welch & Stewart, and Foley, I have personal knowledge of that.

Mr. Taylor: That will be Exhibit 23 (stock-book).

Q.—Have you any other agreements subsequent to those we have already filed? A.—There is an agreement with the National Surety Company of which we have not heard, because it was not mentioned in the notice to produce; it is not a very important document, but I can give you the substance of it.

Q.—That is, in reference to the bond for \$250,000? A.—Yes.

Q.—Is that in reference to the bond for \$250,000? A.—Yes; Foley, Welch & Stewart have guaranteed the National Surety Company against any loss; that was the object of taking that bond.

Q.—Would you mind producing it A.—Not at all.

Q.—If you could—you would not have the bond; the Government would have the bond?

Mr. Maclean: Yes.

Mr. Taylor: I think I have the bond here.

Mr. Maclean: Put it in now.

Mr. Taylor: The Railway Department, of course, would have that; they will produce it. At the present time this will suffice, we will get that bond later; the bond was to be given by the Railway Company.

Mr. Maclean: Mr. Taylor, why not let that matter stand until we get the bond?

Mr. Taylor: All right; would you give me the next agreement of importance? A.—Then there is an agreement, not called for, with Shepley, Brown and Company, of London, appointing them our financial agents in regard to the sale of debenture stock and townsites.

Q.—I do not think that is necessary at the present time, anyway? A.—The next one is the Development Company agreement.

Q.—The Development Company agreement with whom? A.—This is an agreement dated 7th November, 1912, between the Howe Sound & Northern Railway Company and the Howe Sound Northern Development Company, and the P.G.E.R., and the P.G.E.R. Development Company. That is the sale I am speaking about to-day.

Q.—Yes, I would like to have that filed; that will be Exhibit 24.

(Secretary marked document.)

Q.—Now, will you proceed to the next one? A.—Then there was the original trust deed.

Mr. Maclean: Were there two companies, the Howe Sound Company and the Northern Development Company? A.—Yes.

Mr. Taylor: Yes? A.—The original trust deed, of course, was not referred to this morning; that is dated the 10th of July; that is with the Railway Department.

Q.—We will produce those and get them on the file. (Just as soon as you are through, Mr. Maclean, we will get that marked.)

Mr. Maclean: One moment, before we pass this; is this the agreement under which the Howe Sound Company was purchased? A.—Yes.

The Secretary: That is Exhibit 24.

Mr. Taylor: Now I produce, Mr. Chairman, several documents referring to the guaranteed securities, which probably you will find it necessary to have on file. I produce the Pacific Great Eastern Railway Company to the Dominion Trust Company, Limited, mortgage and deed of trust securing 4 per cent. guaranteed debenture stock bond, or bonds, on certain lines in the Province of British Columbia; attached to that, and as a part of it, is the changed document pursuant to the amending Act of the next year, which is dated the 1st day of March, 1913; both of them are duly executed.

Mr. Maclean: Is that the trust deed securing the debenture issue?

Mr. Taylor: Yes.

Mr. Maclean: The original?

Mr. Taylor: Yes, that is right.

Mr. Maclean: Where does that come from?

Mr. Taylor: The Department of Finance.

Mr. Maclean: Are you putting that in?

Mr. Taylor: Yes, that is duly executed.

The Secretary: P.G.E. to Northern Trust; that is Exhibit 27.

Mr. Taylor: Then I produce, dated the 30th of November, 1914, mortgage and deed of trust, P.G. Railway to Northern Trust Company and His Majesty the King. That, Mr. Chairman, I might explain takes the place of the Dominion Trust Company after their liquidation; the Northern Trust Company were appointed to take their place; this is a substitutional document that will be Exhibit what—Exhibit 27. These will all belong to the departments.

Q.—I produce also the original document dated the 30th November, 1914, P.G.E.R. to the Northern Trust Company; I think that is the other issue, the \$7,000 issue? A.—Yes.

Q.—One is the \$7,000 per mile issue; the other is \$35,000 per mile issue? A.—What is the second one, the last one—

Q.—Then there is a mortgage of July 5th, 1916, given, I presume, in your reports—yes, given for the purposes of securing the loan of \$6,000,000 and interest thereon; that is under the "Loan Act" of 1916.

(Document marked "Exhibit 28.")

Q.—Mr. Tate, have you any other documents? A.—There is an agreement, I have not got it here, in regard to purchasing some properties from the Lonsdale Estate on the North Shore; do you want that?

Q.—We do not require that; I have seen that. A.—You are not dealing with any right-of-way agreement?

Mr. Taylor: Not at the present time, anyway; nor with any agreement with the Municipalities of North Vancouver or West Vancouver.

Witness: This is an agreement between the Development Company and the Railway Company dated 26th October, 1915, for the sale of the lands in the schedule, the total consideration being \$858,073.

(Document marked "Exhibit 29.")

Mr. Taylor: Yes, I want that agreement; that is the one that you were referring to this morning? A.—Yes.

Q.—As the result of which certain notes were given? A.—Yes.

Q.—That is an agreement dated the 26th of October 1915, between the P.G. Development Company, Limited, of the one part, and the P.G.E. Railway Company of the other part. Who are the directors of the P.G.E. Development Company? A.—Foley, Welch & Stewart and myself.

Q.—Just four? A.—I think so, yes; that is right; to my recollection, yes, four.

Q.—When was that company incorporated? A.—7th of November, 1912, I think.

Q.—Incorporated under the "Companies Act" of British Columbia? A.—Yes.

Q.—What capitalization? A.—\$250,000.

Q.—Divided into shares of a par value of— A.—\$100 shares, 25,000 shares.

Q.—And those shares are held, I should judge from the draft Bill that was referred to this morning, they are held by Foley, Welch & Stewart and yourself? A.—Yes.

Q.—The whole of them? A.—I hold 20 per cent. of those.

Q.—And Foley, Welch & Stewart individually hold the balance of the total of the shares, do they not? A.—Yes.

Q.—And that company has taken to itself all the lands that were given to it by the Government of British Columbia, given to the P.G. Railway Company? A.—No, we have not got them yet; we have applied for them, but they have not been conveyed by the Crown.

Q.—Well, they claim to have the title, such as it is? A.—If these lands are not coming to the Development Company they may come under the operation of the mortgage; that is the only object of putting it in the Development Company.

Q.—I am not dealing with that view of it, but just now I want to know if the fact is that all the lands that are included in section 13 of the agreement, being Schedule A of chapter 34, 1912, are the lands which this P.G.E. Railway Company claims as its assets—the P.G. Development Company claim as its assets? A.—No; we have simply applied to have those lands conveyed to the Development Company, but if the Government do not see fit to do so, we have no claim on them.

Mr. Maclean: They have got them, do you say? A.—No; we simply put in an application urging the expediency of transferring the lands to the Development Company.

Mr. Taylor: Q.—Then, do I understand that the Development Company has not as yet any of the lands? A.—Not a foot.

Q.—Not any of them? A.—No.

Q.—Is not that last agreement a purchase by the Railway Company from the Development Company of \$800,000 worth of land? A.—That is the land Foley, Welch & Stewart advanced the money for, and paid the money for, and bought.

Q.—My question was that you were stating that the P.G. Development Company has no assets as yet; that is, it has no lands? A.—No, I did not say so.

Q.—Pardon me—I am wrong there, I will correct it. You are stating that they had applied to have the lands or a portion of the lands at least covered by section 13 in the agreement to Schedule A, chapter 34 of 1912, transferred by the Government to it? A.—Yes.

Q.—And so far the transfer had not been made? A.—No.

Q.—Then the question was that Exhibit 29 purports to be an agreement by which the Railway Company has purchased from the Development Company \$800,000 worth of lands? A.—Yes.

Q.—Where do they get them from? A.—They were paid for by Foley, Welch & Stewart.

Q.—For what purpose were they sold to the Railway Company? A.—For railway purposes.

Q.—Where are they? A.—If we had a piece of land, say 100 acres, in the Development Company, the chief engineer would measure out what was required for railway purposes, and the Development Company sold that to the Railway Company at a price agreed upon.

Q.—What railway purposes were those lots sold for? A.—Station-grounds and yards and sidings.

Q.—Whereabouts are they? A.—Williams Lake and Squamish.

Q.—And different places? A.—Yes, and Lillooet Lake.

Q.—Station-grounds and yards, you say? A.—Yes, purely railway purposes.

Q.—How did it purchase them, because they had already been taken for other purposes; or were they Crown lands? A.—Oh, no, they were lands purchased by the Development Company, and paid for to private individuals.

Q.—Yes? A.—Williams Lake, there were 3,000 acres there.

Q.—What was that purchased for; a part of the site, I suppose? A.—Yes, railway-yards.

Q.—It didn't sell the 3,000 acres to the Railway Company? A.—No; the amount sold is shown in the schedule to the agreement.

Q.—The agreement is Exhibit 29? A.—Yes.

Mr. Taylor: I am leading up to this section 13, already referred to, of Schedule A, being the agreement of 10th February, 1912. Chapter 34 of the Statutes of 1912, subsection (d) reads as follows: "To convey to the Company" (that is, the Government covenant and agree to convey to the Company) "by free grant any vacant Crown lands which said Company may desire for the purpose of establishing divisional points or townsites along the aided line. So far as the acreage belonging to the Government permits, these grants shall consist of 1,280 acres at each divisional point, and 640 acres at each townsite. The lands so to be granted shall be administered under the terms of an appropriate agreement which will be entered into between the Government and the Company, which agreement shall provide that such of the said lands as are not required for the purposes of the Company shall be administered by the Company as townsites for the joint benefit of the Company and the Government, in the proportion of two-thirds to the Company and one-third to the Government"; and all this land and townsites as shall be required for the purposes of the Company—that is, the property of the Company—"shall come within the railway clauses mentioned," and shall be exempt from taxation until sold by the Government. I suggest to you there is a plain requirement of the statutory agreement requiring these lands to be administered by the P.G.E.R., and that the P.G.E. Railway Company shall enter into an appropriate agreement with the Government and the Province of British Columbia, and hence it cannot be done through any other medium. Has any "appropriate agreement" been prepared between the P.G.E. Railway Company and the Government respecting those lands; I am using now those words, "appropriate agreement," as contained in subclause (d) of section 13 of the agreement of 10th February, 1912? A.—No.

Q.—And you say that the lands have not yet been conveyed; none of these lands have been conveyed to the Railway Company? A.—No; the lands that have been set aside under that clause up to the 12th of May, 1916, amounts to 53,165.54 acres, and none of that land has been conveyed or alienated.

Q.—And none conveyed to the Development Company either? A.—No. In having the lands put in the name of the Development Company we were following the practice that was found necessary at Ottawa in the case of the Grand Trunk Pacific Development Company. The agreement there provided for the transfer of lands to the Railway Company, but it was found inexpedient to carry it out in that way, and the lands were afterwards conveyed to the Grand Trunk Pacific Development Company.

Q.—I am not, of course, interested in that matter, because this Statute speaks for itself. A.—It is only fair to mention it.

Mr. Maclean: Nothing has been done.

Mr. Taylor: As I said before, that ends that situation. A.—We put in an application to have the lands transferred to the Development Company, I suppose, three years ago.

Mr. Taylor: Mr. Hanes would like to ask you a couple of questions on that point.

Mr. Hanes: I would like to ask Mr. Tate who purchased the townsite at Swan Lake, at the end of the P.G.E. Railway?

Mr. Maclean: Swan Lake, do you say?

Mr. Hanes: Yes, Peace River; what Company, the P.G.E. Development Company or the Railway Company? A.—At Swan Lake, Peace River, that is the Development Company.

Q.—They purchased that from the Government or from private individuals? A.—No, individuals; all I have here is, we purchased at Swan Lake all of Sections 35, 26, and 23, comprising 640 acres each, in Township 26.

Mr. Maclean: That is up in the Peace River, you say? A.—Yes.

Q.—You have not got up there yet? A.—No.

Mr. Hanes: We might go into the matter a little later, because I have some correspondence, or I have seen some in connection with that? A.—I think Mr. Callaghan knows more about that.

Q.—This correspondence I am referring to is between the Minister of Lands and Mr. Tate, and between Mr. Tate and Mr. Ross. A.—If I see the letter, perhaps—

Q.—Just one more question. The P.G.E. Development Company own some 1,100 acres of land at Squamish, that was purchased from the Provincial and Dominion Governments as Indian reserves? A.—Yes.

Q.—Crown grants have been issued? A.—Yes, from both Governments.

Q.—And from the Provincial Government? A.—Yes.

Q.—And the Provincial Government thereby sold their reversionary interest to the P.G. Eastern Development Company? A.—For \$25,000, yes.

Q.—Who paid for that? A.—The Development Company.

Q.—I asked Mr. Tate who paid the \$25,000 he referred to? A.—The Development Company; we can produce the cheque if you want to.

Q.—I won't ask anything further about that just now.

Mr. Taylor: Coming now to a different subject-matter, your Company issued—

Mr. Maclean: Is that the P.G.E.?

Mr. Taylor: P.G.E. Railway Company, yes—issued securities or debentures, or rather bonds, to the par value of what amount? A.—Pardon me?

Q.—The P.G.E. Railway Company issued debentures or bonds secured by the Government of the Province of British Columbia of the par value of what amount?

Mr. Maclean: Do you want the total value?

Mr. Taylor: I want the total value. A.—\$20,160,000.

Q.—That covered the \$35,000 an acre? A.—A mile.

Q.—The \$35,000 a mile first granted to you by the Government, and also the \$7,000 a mile granted by chapter 65 of the Statutes of 1914? A.—Yes, and the addition of thirty miles put in.

Q.—I beg your pardon? A.—An addition of thirty miles included in that second Statute.

Q.—Yes, that was based on that \$20,160,000 issue; it was based on a mileage of 480 miles? A.—Yes.

Q.—Between Vancouver and Fort George? A.—Yes.

Q.—The correct mileage was 476.01? A.—Yes.

Q.—And therefore there has been an overissue, has there not? A.—Yes, yes.

Q.—Could you tell me offhand the amount—how much it would amount to in dollars? A.—Just a second, \$163,800.

Q.—\$163,800. Now, just so that that will be understood by the gentlemen of the Committee, you were to get \$35,000 per mile, and then \$7,000 additional per mile for the total mileage between Vancouver and Fort George? A.—Yes.

Q.—Which you estimated originally at 480 miles, which turned out to be only 476.01. A.—No; we estimated it originally at 450.

Q.—And then you added thirty miles, and then it turned out to be 476.1 instead of 480? A.—Yes.

Q.—And that \$163,800 has been paid out to your Company by the Province of British Columbia? A.—No.

Q.—Under the provisions under which it is to be retained in a special account (the proceeds of those debentures), and pay them out to your Company? A.—No, I don't think so. It was to be paid out to the Union Bank. They made an overpayment.

Q.—They made an overpayment as a result of the authorization received from the Minister of Finance from time to time, based upon the Orders in Council, based on progress certificates, certified to by your engineer and also by the Department engineer of this Government? A.—That \$163,800 has to be taken care of in paying off the Union Bank note.

Q.—Just one thing at a time. The fact is, it was paid out by Order in Council, and under the direction of the Minister of Finance, and out of that fund in the bank? A.—I suppose it was.

Q.—Which was paid out just the same as the \$18,000,000 was paid out? A.—Yes, there is no controversy about it.

Mr. Maclean: Isn't that a part of the \$18,000,000? A.—Yes; but, of course, we cannot exceed \$35,000 per mile.

Mr. Maclean: Well, there is not \$18,000,000 and an additional \$163,800.

Mr. Taylor: No, but that \$18,000,000-odd is an excess amount.

Mr. Maclean: It includes that \$163,800.

Q.—The \$18,000,000-odd includes this excess amount. It includes the difference between the 476.01 and the 480 miles? A.—Yes.

Q.—Now, has your Company taken any steps to return that \$163,800 which the Government of the Province of British Columbia authorized the Union Bank to pay out to you, but which was not authorized by the Statute? A.—Yes, we have been figuring on that when we repay the Union Bank loan.

Q.—But I say, have you paid it in yet? A.—No.

Q.—Have you made any arrangement in writing for paying it back? A.—No. Our intention was to pay it back when the Union Bank loan was paid back.

Q.—Have you written any letter to the Government stating any such intention? A.—I don't know whether I have or not.

Q.—Well, now, I don't think I have seen a letter over here anywhere. If you have any I would like to see it, if there is any letter that I have overlooked—that is, to the Department, in any way promising to pay back this \$163,000. If there is any let me know about it. A.—There is no dispute about it.

Mr. Maclean: Is there any dispute about it?

Mr. Taylor: Just the one fact, is there any such letter? A.—Well, I have submitted statements time and time again showing it. Here is one statement in here that I am almost certain has been shown to Mr. Brewster. There is that statement you see, and everything is in that.

Q.—Can I file this one? A.—Yes, certainly.

Q.—Can I tear it out? A.—Yes. I did not ask Mr. Thomas and I will have to risk his displeasure, but tear it out. I am almost certain I gave this to Mr. Brewster.

Q.—And this is a statement prepared by the Railway Company dated November 28th, 1916, which Mr. Tate says he has supplied—to whom, Mr. Tate? A.—To the Premier.

Q.—Well, I have not yet got any documents from his Department, and perhaps that is why I did not see this before.

Mr. Maclean: That is to the Honourable Mr. Brewster? A.—Yes.

Mr. Hall: What date is that?

Mr. Taylor: November 28th, 1916. It shows the following; it is all valuable information and perhaps it will save me some trouble in asking him further questions: Guarantee based on a mileage of 480 miles—interim certificate of the Minister of Finance—\$16,800,000, and \$3,300,000 second mortgage.

“PACIFIC GREAT EASTERN RAILWAY.

“*Memo. of Securities.*

“Guarantee based on mileage, 480 miles, per interim certificate of Minister of Finance.

“Amounts to	\$16,800,000—first mortgage.
“.....	3,360,000—second mortgage.

“Total	\$20,160,000
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“Line finally determined to be 476.1 miles.

“Authorized at \$35,000 per mile.....	\$16,553,500—first mortgage.
“7,000 „	3,332,700—second mortgage.

“Total	\$19,996,200
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For my purpose I stop at the shrinkage.

Mr. Maclean: Put it in.

Mr. Taylor: I will put in the whole thing, but I don't read it all.

Mr. Maclean: What is the rest of it?

Mr. Taylor: Just a bunch of figures. Now, that is the first item I deal with, and this disposes of the \$6,000,000 which we can take as admitted. And the next item I want to deal with is the question of the deductions in London from the proceeds of these bonds. Now, in London there was deducted \$231,644.83 from the proceeds of the bond instead of paying it into the bank as your Act requires the total proceeds of these bonds to be so paid; the total net proceeds of the bonds—that is correct, isn't it? A.—Yes.

Q.—\$231,644. Your Company has refunded to the Government \$139,207.36 of that amount. Why don't you refund the balance, being \$92,437.47? A.—Where are you getting these figures from, Mr. Taylor; from some place in that report?

Q.—Yes. A.—Well, those figures are correct.

Q.—Is there a letter dealing with that? A.—Yes, there is a letter dealing with that.

Q.—I probably had better find that. Do you remember, Mr. Thomas, what date it was? A.—It was just shortly after the report.

Q.—It would be to Mr. Oliver; it would be last fall. A.—No, it was not then; it was this year.

Mr. Thomas: On receipt of Price, Waterhouse's report, Mr. Tate wrote Mr. Oliver.

Witness: It was this year. It is a very long letter—about ten pages.

Mr. Taylor: I think I have seen this letter. The 20th January this year, wasn't it? A.—I think it was January.

Q.—Yes, here it is. Now, that will give a lot of information, and I had better read the letter and I will file it afterwards as Exhibit 31.

Mr. Maclean: That is the letter of what date?

Mr. Taylor: January 20th, 1917. So that the gentlemen of the Committee will follow the matter. This is from Mr. Tate to the Honourable John Oliver. I am done with the \$163,800, and now I am dealing with the difference between the deduction made in London and the amount that has been refunded by the railway as to that deduction. You will understand that the Statute requires that the total net proceeds of these bonds should be paid into a special account in the bank, and should be chequed out on the order of the Finance Minister. This amount was not paid into the bank in that way. Who deducted that amount in London? A.—Our bankers; the underwriters.

Q.—And it was deducted for what reason—\$231,664?

Mr. Maclean: Was there a bond issue over there?

Mr. Taylor: They just grabbed the difference between \$18,000,000-odd and \$20,000,000-odd.

Mr. Pooley: It is a way those bankers have.

Witness: There is a statement which was submitted to the Minister of Finance, "commission, discount, brokerage expenses, interest and exchange," and so on.

Mr. Taylor: But the specific reason for the deduction of this \$231,664.83—could you give me a specific reason for that deduction? What was that for? What was that to cover? Probably your letter will show it? A.—Yes.

Mr. Maclean: I suppose the proceeds of the bonds is what you realize from them after all the charges are paid.

Mr. Taylor: No, you are mistaken. The charges are separate. We only realize \$18,100,000 out of a total of \$20,160,000, and from that \$18,100,000 there was wrongfully deducted \$231,600-odd. A.—\$227,000.

Q.—\$231,000. A.—No; the other is general expenses.

Q.—Well, I don't think we will get mixed on that—it is \$231,000. I will read your letter of January 30th, 1917, written to the Honourable John Oliver, Minister of Railways, Victoria, B.C., reading as follows: "I am in receipt of your esteemed favour of the 27th inst., enclosing copy of Messrs. Price, Waterhouse & Company's report, for which I am obliged. I have perused the same and note the several matters to which you have been kind enough to direct my attention, and with respect to which I herewith beg to submit as follows: Referring to the first paragraph of your letter, the amount of \$231,644.83 mentioned in Messrs. Price, Waterhouse & Company's report is made up of four items, as follows: (1.) Interest, \$2,493.30. This amount, together with the principal sum of \$200,000, was paid out of the proceeds of a sale of securities to the London County and Westminster Bank, Ltd., to secure the release of other bonds pledged, and the balance, as shown on statement dated November 30th, 1913." What other bonds are referred to there? A.—We raised a preliminary loan of \$1,000,000. I presume that is what is referred to there.

Q.—And what bonds did you place? A.—We placed the 4 per cent. bonds—our own bonds. Before they were sold there was a pledge to start work.

Mr. Hall: Excuse me—just before you go on with that—what was that interest amount you gave?

Mr. Taylor (reading Exhibit 31); "(1) Interest, \$2,493.30. This, together with the principal sum of \$200,000, was paid out of the proceeds of a sale of securities to the London County and Westminster Bank, Ltd., to secure the release of other bonds pledged, and the balance, as shown on statement dated November 30th, 1913, to the Deputy Minister of Finance was paid into the Minister of Finance Account. (2) \$4,422.24 is made up of disbursements at London in connection with the keeping of the London register of the guaranteed securities, and if not deducted from funds in the hands of the registrars would have necessitated the retransfer of funds from here, entailing a loss in exchange. There was no difference to the Government in the amount, whether handled in this manner or included in the estimates, and the former was the more economical method of dealing with the matter. The third and fourth items of \$144,680.37 and \$80,048.92, respectively amounting to \$224,729.29, represent interest actually paid on the bonds at London out of the proceeds. Of this amount we refunded, as the accountants point out, \$139,207.30, leaving a balance of \$85,521.93, which is being withheld out of the unpaid retentions by the Government Chief Engineer on instructions of the Minister of Finance, given, if I remember correctly, early last year. I did not receive a copy of these instructions, but was verbally informed at the time, both by the Deputy Minister of Finance and the Government Chief Engineer, of the action taken. The reason for paying this interest directly out of funds in London was to effect a saving in exchange. Unfortunately the balance of \$85,521.93 was overlooked until the accounts were checked up last spring, when it was satisfactorily disposed of." A.—By deducting that from the hold-back in favour of Welch. You see, there was originally an amount held back by the Government Chief Engineer, an approximate amount of \$1,500,000. Well, that is reduced now in point of time by the deductions on account of interest, until it represents only \$750,000 now; and that \$85,000 there, I guess, was taken on that hold-back.

Q.—Do you know whether it was actually taken or not? A.—Well, I know about \$750,000 was taken.

Q.—Isn't it a fact that you have had already paid out to you the total net proceeds of the bonds? A.—Yes.

Q.—Well, what is there to deduct from? A.—Well, only as between Welch and the Company.

Q.—There is no money in the hands of the Government that they can deduct anything from? A.—No, nothing.

Q.—It is absurd. Well, how is the Government getting its \$85,521.93 that you say was overlooked, if there is nothing to get it out of—where are they getting it from? A.—Well, in the way I have explained. Instead of coming to Welch in the estimates certified to by Mr. Gamble of \$1,500,000 he has only \$750,000.

Q.—But the Government has not got to pay Welch for building this road. It is the Pacific Great Eastern that he is dealing with. The Government guarantees certain bonds, and they don't owe Welch anything—not a 5-cent piece? A.—No.

Q.—Now, how could they deduct \$85,000 when you owe them? A.—Well, that is the way it was done.

Q.—From nothing? A.—That is the way it was done.

Q.—That is the way it was done? A.—Yes.

Q.—When was it done that way? A.—I would say toward the end of the estimates.

Q.—Of what year? A.—1915, I believe; or was it in the spring—the beginning of 1916?

Q.—Early in 1916? A.—Yes.

Q.—That is another \$85,521.93. (Reading.) "Referring to the second paragraph of your letter: The salary of \$1,000 per month paid to me as vice-president of the Company was arranged by the directors at one of their initial meetings at the time the salaries of the other officers of the Company were dealt with. Outside of the salary paid to myself as aforesaid, no other sum was drawn from the Company by Mr. Stewart, the president, or Mr. Foley or myself, the vice-presidents, either on account of salary, services, or expenses. No expense bill has ever been put in by either Mr. Stewart or myself for our trips to London on three or four occasions in connection with the sale of our bonds, or for our several trips to Ottawa relating to matters that had to be taken up with the Dominion Government, or our continual trips between Victoria and Vancouver during the last five years." Do I understand that your salary of \$1,000 per

month which the P.G.E. paid you has been provided out of these Government securities?
A.—Yes, in common with all other executive expenses.

Q.—“Salaries and expenses of executive and general officers of a road under construction properly form a part of cost of construction. I beg to quote from the Classification of Expenditures for Railroads, adopted by the Dominion Government, as issued by the King's Printer at Ottawa, as follows:—

“Account No. 48. Other expenditures. To this account should be charged organization expenses, including the payment of all necessary fees; the cost of printing certificates of stock and bonds, with payments to trustees and expenses incurred in the disposal of securities; salaries and expenses of executive and general officers of a road under construction; clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the furniture and office expenses; also all items of a special and incidental nature which cannot properly be charged to any other account in this classification.”

“But while such items may properly enter into the ‘cost of construction,’ it may be asked, is it proper to charge the same against the proceeds of guaranteed bonds where a road is being built with the assistance of a Government guarantee? As to this, I may say it has been the invariable practice, so far as I can ascertain, in connection with all railways constructed with Government aid in the shape of guarantees, whether by the Dominion or Provincial Governments, to charge such general executive expenses against the proceeds of these securities. To be more specific, I know this was the practice adopted in the case of the construction of the main line of the Grand Trunk Pacific Railway, whose bonds were guaranteed by the Dominion Government, and also in the case of the branch lines constructed by the Grand Trunk Pacific Railway in the Provinces of Saskatchewan and Alberta, where bonds were guaranteed by those Provinces. I think you will find the same practice was followed in the case of Canadian Northern construction throughout the Dominion, both in respect to Dominion and Provincial guarantees.

“In England and in the United States the universal practice is to regard general expenses as forming an integral part of the ‘cost of construction.’”

“According to the general practice, the proceeds of such securities are set apart in a special account to meet the cost of construction as the work proceeds, a part of such cost being, as aforesaid, the salaries of the Company's officers. It is not merely the actual manual labour and the actual material which enter into the physical construction of the road-bed that constitute the ‘cost of construction,’ but all the other works of preparation, organization, and supervision, which mobilizes and apprises the labour and material entering into the formation of the road-bed and without which no actual construction on the ground would be possible.

“With respect to the Pacific Great Eastern Railway and its agreement with the Government, clause 9(d) thereof provided that the proceeds are to be paid to the Company as the work of construction proceeds, and the services of the officers of the Company are just as essential a part of the work of construction as are the services of mechanics and labourers engaged therein

“So far as the general practice is concerned, and from which I submit the Province could not consistently depart, it should be a matter of very easy demonstration. Our Company desires no special treatment in that respect from that accorded to other companies by other Governments, but submits that it is manifestly entitled to the same treatment, and to hold that such salaries do not form a part of the ‘cost of construction’ would be such a radical departure from all practice and precedent as, I submit, would be unwarranted.

“Referring to that portion of the report of Messrs. Price, Waterhouse & Company, on page 3 thereof, which mentions the fact that in addition to the salary paid me for legal services the sum of \$14,822 has been paid to outside solicitors; this sum was paid to local solicitors in Vancouver for expropriation and litigious proceedings conducted there, and to other solicitors in London and Winnipeg in connection with the preparation and investigation of our guaranteed securities. My office and the general executive offices of the Company are at Victoria. During the period of construction, owing to our continued business with the Government, it was found more convenient to have the head office of the Company here. The Company's Land and Engineering Departments have their offices at Vancouver, where it was found necessary to retain local solicitors for the purpose, as above stated, of conducting expropriation proceedings

and representing the Company in litigious matters. Such business could not conveniently be handled from our Victoria office.

"As vice-president and general counsel of the Company, I had charge of the general policy of the Company, advise in regard to agreements, the settlement of disputes, expropriation proceedings, and instructed local solicitors respecting all Company matters in their hands. All the Company's agreements and other important instruments were prepared or revised by me, and negotiations and dealings with the Government were personally conducted by me. It would be impossible for the Company to dispense with the services of local solicitors in Vancouver. I would further state for your information that I am satisfied that there is no road of equal mileage in Canada where during the period of construction the general executive charges were confined within as moderate figures as in the case of this Company.

"Referring to the third paragraph of your letter: In view of the amount of \$218,882.12 estimated by the Company as the value of the Howe Sound & Northern Line, the Government allowed in Estimate No. 3 for November, 1912, the sum of \$193,068.62, and submitted a statement showing how its valuation was arrived at. This statement was accepted as a matter of record, but was not checked here, and the clerical error of \$5,765.76, mentioned by the accountants, passed unnoticed. A bill will be made against Messrs. Foley, Welch & Stewart for the amount in question." Has that amount of \$5,765.76 been paid? A.—Yes.

Mr. Anderson (Secretary): Mr. Tate, who were the solicitors employed as stated in that letter?

Witness: Are you asking me?

Mr. Anderson: Yes. A.—Bowser, Reid & Wallbridge.

"The title deeds are left in the name of the Howe Sound & Northern Railway to save extra registration and incidental fees and costs. By its amalgamation with this Company, all its properties are vested in this Company (*See* section 275 of the 'Railway Act').

"Referring to the fourth paragraph of your letter: With respect to the amount of \$5,704,316.50 which the report states the Company has been paid in excess of the proportionate value of the work done to November 30th, 1915, as I have not had the advantage of perusing the memorandum of the Attorney's-General Department dated 20th January, 1917, and addressed to the Honourable the Minister of Railways, as referred to in the report, I do not know on what precise grounds the interpretation of the agreement adopted by the auditors has proceeded. I can only say that in making payments to the Pacific Great Eastern Company under clause 9(*d*) of the agreement with the Government of 10th February, 1912, the Government followed the practice that had obtained with the Canadian Northern during the two years previous. I might say that the Pacific Great Eastern agreement of 1912 is practically verbatim with the Canadian Northern Pacific agreement of 1910, and in a general way, if not entirely, the practice and procedure adopted by the Government in the case of the Canadian Northern Pacific in working out the agreement with that Company was followed with the case of the Pacific Great Eastern agreement.

"Accordingly, our monthly estimates were paid by the Government as rendered, less a retention of 10 per cent.

"It was the policy of the late Government to favour a liberal construction of clause 9(*d*) for the purpose of expediting construction.

"I take it that the explanation which you desire from me in regard to payments made the Company under the agreement is not one concerning the legal interpretation to be placed upon the clause in question, but should be confined to a statement of the facts of the case.

"It is a fact that, following the precedent created in the case of the Canadian Northern Pacific, our Company received monthly payments from the proceeds of the guaranteed securities upon certificates issued by the Government on our monthly estimates withholding payment of 10 per cent. thereof.

"There is no doubt that the construction of the railway was expedited by the action of the Government in this respect.

"The security of the bondholders is unimpaired, as in lieu of money in the bank to the credit of the Minister of Finance, there are many additional miles of road-bed and trackage beyond what there would have been if the monthly amounts paid to the Company had been more curtailed.

"In fact, as it happens, the security of the bondholders has been increased if, as is claimed by the auditors, the Company has been allowed to anticipate its payments under a strict construction of the agreement. The cost of labour and material has increased enormously; and, if the funds were now in the bank and the work which has been done through the payments made to the Company still remain to be done, it would cost much more to be reproduced now, and the bondholders would not, therefore, obtain the same amount of constructed mileage as we have now to show for the money spent.

"Without dwelling upon the technical construction of the agreement, the Company is prepared to show that the Government and the public have received full value for all payments made out of the proceeds of the guaranteed securities, whether such payments were made regularly or possibly prematurely. It is submitted that events have justified the policy of the Government in hastening the completion of the road. As just stated, the work already done by the Company could not be reproduced under existing conditions at anything like the cost incurred. The money received by the Company has been expended to the best advantage, and in view of the fact that the interest upon the outstanding securities amounts to something like \$1,000,000 a year, it is infinitely better for all interests concerned that we should have so many additional miles of track constructed rather than have the money represented thereby lying idle in the bank. The sooner the end of steel reaches a connection with the Grand Trunk Pacific at Fort George, the sooner will the Company be in a position to earn something on account of the annual interest charge.

"In regard to the monthly payments made to the Company by the late Government, it might not be out of place to call attention to one fact which undoubtedly influenced that Government in arriving at that policy that it adopted in this connection—the fact that owing to the unsettling of the money markets by the first and second Balkan wars, and subsequently owing to the conditions precipitated by the German war, it was too expensive—in fact, almost impossible—to raise moneys for the prosecution of the work. As you know, it was and is practically impossible for private interests to obtain money in the market for development, and the late Government, unless it preferred to have the work of constructing the Pacific Great Eastern Railway suspended, had really no alternative but to come to its assistance in some way. It would certainly have seemed to be bad business to allow the funds represented by the proceeds of the bonds to remain idle in the bank while there was such urgent need in the interest of the country for the completion of this north and south line. The element of expediency and the reasonable discretion on the part of the executive I submit should not be eliminated when we approach the construction to be placed upon clause 9 (d) of the agreement. The fair question presents itself, what was reasonable under the circumstances.

"Referring to the fifth paragraph of your letter: The amount of \$602,261.30, referred to by Mr. Oliver as appearing in Certificate 29, is the total amount of interest charged up to that time in the estimates, but which, upon reconsideration by the Attorney-General and the Lieutenant-Governors in Council, it was decided by the Government, could not under paragraph 9 (d) of our agreement be paid out of the proceeds from the sales of the guaranteed securities; and in pursuance of an order of the Lieutenant-Governor in Council this amount was deducted in instalments of \$150 per month from Estimates 29, 30, 31, and 32. The Company always maintained that interest during construction is an integral part of the cost of the work and would not consider that the wording of our agreement precluded the payment of interest out of these funds. It was, however, held that only the amount of interest earned on balances on deposit could be applied towards interest payments and no part of the funds themselves, and the amount previously allowed was deducted accordingly.

"The Company invites a physical examination of the road for the purpose of convincing the Government that the proceeds of the guaranteed bonds had been economically applied." Now, that is your letter of January 30th, 1917, and it sets out, according to you, your true position? A.—Yes.

Mr. Taylor: I will have it marked as Exhibit 31.

Mr. Maclean: Isn't it nearly half-past 10 now? We might adjourn; that was a fine letter. That was the best thing I have heard yet.

Mr. Taylor: Mr. Maclean wishes to adjourn after hearing that letter read. I think he has that privilege. The next matter will be the \$5,000,000-odd alleged overpayment, \$5,704,316.50.

The Chairman: Isn't there a letter about that?

Mr. Taylor: This letter refers to it.

Session adjourned till 10 a.m. to-morrow, March 21st, 1917.

FIFTH SESSION.

WEDNESDAY, March 21st, 1917.

Meeting called to order at 10 a.m.

Examination of Mr. Tate resumed.

Mr. Taylor: Certain documents were to be produced by you. Have my friends got the National Surety Company bond and the charter for the Equipment Company?

Mr. Maclean: The Railway Department has got that.

The Chairman: Do you want this bond?

Mr. Taylor: Yes; the bond, please.

Witness: Mr. Taylor, I might finish answering the questions that Mr. Hanes asked me last night.

Mr. Taylor: I intend to return to that point later on; we will take it in its logical order. The bond was mentioned yesterday—that will be Exhibit 32.

Mr. Maclean: What is the date of it?

Mr. Taylor: The bond is dated the 7th of October, 1912, for \$250,000; I have a copy here.

Mr. Maclean: I am willing for the copy to go in so long as we see it and look it over; I suppose that will apply to any of the documents, practically.

Mr. Taylor: It was arranged that documents produced other than by the Government can be replaced by putting in sworn copies. You can get the originals back by substituting sworn copies.

Mr. Maclean: Yes.

Mr. Taylor: The original bond is executed by the National Surety Company, J. E. Bird, resident vice-president, etc., for \$250,000, and it has several conditions in it; they are the important features, of course. I had better read them: "Now, therefore, the condition of this instrument is such that if the said principal shall well and truly perform the terms and provisions of the said contract on the part of the said principal required to be performed" (the principal, of course, is the Railway Company), "then this instrument shall be null and void, otherwise to be of full force and effect: Provided, however, that this instrument is executed by the Company as surety upon the following express condition, which shall be precedent to the rights of recovery hereunder: The obligee shall at the times and in the manner specified in the said contract perform all the provisions and covenants and all matters required to be performed by the obligee; and if the obligee default in the performance of any matter or thing in this instrument, or in the said contract agreed or required to be performed by the obligee, the Company shall thereupon be relieved of all liability thereunder."

Mr. Maclean: Which is "the Company"?

Mr. Taylor: The Company is the Surety Company. "In the event of destruction or injury of the premises specified in the said contract by fire, mob, or the public enemy, or act of God, or through strikes or labour difficulties, neither the principal or the Company shall be liable for any loss or damage. None of the conditions or provisions contained in this instrument shall be deemed waived by the Company unless written notice of such waiver be executed by the president of the Company, and its seal be duly affixed, nor shall this instrument or any of the rights thereunder be assignable unless with the like consent duly attested and executed as aforesaid. No action suit or proceeding shall be had or maintained against the Company" (that is, the Surety Company) "in this instrument, unless the same be brought by process served upon the Company within six months after the date or time in the said contract named for the completion of the work." The next is as to notice.

Q.—What is the date or time for completion of the work mentioned in the contract?

Mr. Maclean: Some time in 1915.

Witness: In 1915; July, I think.

Mr. Taylor: As contained in Schedule A?

Mr. Maclean: To be completed on the 1st of July, 1915.

Mr. Taylor: Subparagraph (f) of paragraph 7, being the 1st day of July, 1915, so that this bond has lapsed, has it not? A.—Well, I don't know as to what the effect of the war might be on the lapsing of the bond.

Q.—In the event of the destruction or injury to the work specified in the said contract by fire, riot, mob, the elements—public enemies, etc.—nothing has been destroyed so far by the public enemy.

Mr. Maclean: The undertaking has been destroyed in one sense by the war.

Mr. Taylor: Now you are not putting forth an opinion of that sort, surely. Would you have a look at that—

Mr. Maclean: Just a minute, Mr. Taylor; will you just prove where that comes from; if it comes from the Department of Railways—

The Chairman: I got it from Mr. Johnson, the Deputy Attorney-General.

Mr. Maclean: Where is it filed; is there a filing-mark on it?

Mr. Taylor: What is the idea of all this, Mr. Maclean?

Mr. Maclean: You don't always explain your ideas.

Mr. Taylor: I have the bond, and Mr. Tate is the witness.

Q.—Mr. Tate, is that the bond given by your Company or not? A.—Yes, that is the bond.

Mr. Taylor: That is all I desire.

Mr. Maclean: I just wanted you to prove where the document comes from. May I ask you this, to save unnecessary questions: Do you take the position that the bond has to be renewed?

Mr. Taylor: I take the position that the bond has lapsed.

Mr. Maclean: That is another question altogether, Mr. Taylor; supposing that it hadn't lapsed, do you take the position that it has to be renewed every year, by the payment of a yearly premium, or otherwise it lapses?

Mr. Taylor: I am taking no position at all—that bond has lapsed because an action has not been brought within six months from the time of the completion of the contract.

Mr. Maclean: That is one of the great attacks, that that bond has lapsed.

Mr. Taylor: I don't know anything about that.

Mr. Maclean: You do not take that position, then?

Mr. Taylor: I do not take any position at all except as just stated.

Q.—The last clause 4 is that the action must be brought and the process served within six months after the time for completion of the work; I have proved that the time for completion of the work was the 1st of July, 1915.

The Secretary: This is Exhibit 32.

Mr. Taylor: Is that the power of attorney? A.—Yes.

Q.—Mr. Welch to Mr. White? A.—Yes.

Mr. Maclean: This is not an original document.

Witness: That is all I have, anyway.

Mr. Taylor: That is all right; it is supposed to be a copy. Mr. Tate, you believe that to be a true copy of the original? A.—Oh, yes, certainly, yes.

Q.—I understand it is a notarial copy that the office sent over? A.—Yes, I would say that is a true copy.

Mr. Maclean: The original is in the Land Registry Office, the City Land Registry Office.

Mr. Hall: If I might interject here, was that power of attorney filed with you, Mr. Tate, for the purpose of enabling you to recognize Mr. White? A.—No, I think that was prepared for the Land Registry Office.

Q.—I want to know whether it had been filed with the Company for the purpose of enabling you to recognize Mr. White? A.—No.

Mr. Taylor: That bond has just been filed as Exhibit 32; this power of attorney will be Exhibit 33. The power of attorney now being filed from Welch to White will be Exhibit 33. Power of attorney from P. Welch, railroad contractor, to Edward Frank White; a general power of attorney, printed form, no special clauses inserted. It is dated the 15th day of May, 1914, and the copy is certified as being a true copy by the Registrar of Land Titles in Vancouver. It is the usual printed form of power of attorney.

Mr. Maclean: No special reference to the railroad-construction on it, is there?

Mr. Taylor: Now the charter of the Equipment Company.

Mr. Maclean: That is a charter outside this Province.

Mr. Taylor: I am prepared to put in a copy this morning obtained from the Department of the Secretary of State at Ottawa.

Mr. Maclean: Let me see your copy, then.

Witness: I suppose it is all right, but I never saw it.

Mr. Taylor: There is no question about it.

The Chairman: What is that, a certified copy from the Secretary of State?

Mr. Maclean: Not even certified.

Mr. Taylor: It seems to be marked here, copied by B. C., compared by some person in the Department; it has the Department stamp of the Secretary of State's office.

Witness: That would be all right if the Department has made the copy.

Mr. Maclean: Well, put it in; we do not want to take any small objections, but it would be more satisfactory to have the originals where possible.

Mr. Taylor: It is easy to see that it is prepared by the Department at Ottawa, and compared by them. Letters patent of the Pacific Great Eastern Equipment Company, Limited, engrossed the 7th day of April, 1915; \$3,000,000 capitalization, divided into 30,000 shares of \$100 each; the incorporators being Patrick Welch, Edward Frank White, Eugene Kaufman, Albert H. Sperry, D. Clifford Pennington.

Q.—The Edward Frank White therein referred to is the director of the P.G.E.R. Company?

A.—Yes, sir.

Q.—Has Mr. Sperry any official connection with the Company? A.—He is the general manager of the Railway Company; that is, he is in the employ of P. Welch; that is his titular position, but his salary is paid by P. Welch.

Q.—He is in P. Welch's employ? A.—Yes; but his title is general manager of the Railway Company.

Q.—And his salary is paid by Welch? A.—Yes.

Q.—What does Welch pay him a salary for? A.—Well, for operating the railway during construction; he runs construction-trains.

Q.—D. Pennington; is he connected with the Company? A.—He is a clerk in Welch's office also.

Q.—But I say, is he connected with the P.G.E. Railway Company? A.—Is Pennington connected with the P.G.E.R.? No, he is not.

Q.—Has he any official position in your Company? A.—No; he is just a clerk in Welch's office, looking after the land matters.

Q.—Eugene W. Kaufman; has he any official connection with the P.G.E. Railway Company? A.—None. (After reference to Mr. Thomas.) He is in Welch's employ, presumably; I don't know anything about it.

Q.—But his name appears here as land commissioner; that is the way he is described?

A.—Land commissioner?

Q.—Yes. A.—Oh, well, the land commissioner was Mr. Wilson. (Again referring to Mr. Thomas.)

Q.—Mr. Welch had no land commissioner, had he? A.—We paid Wilson's salary as land commissioner until his resignation some months ago.

Q.—You cannot tell me why the name of E. W. Kaufman appears here, describing him as being "land commissioner"? A.—No, I cannot; I thought that Pennington was looking after that.

Mr. Maclean: When did they commence operations?

Mr. Taylor: That is Exhibit 34—it does not state; it simply gives the date of the charter.

Q.—Now we will return, if you please, Mr. Tate, to where we left off last night; you desired to make some statement.

Witness: Mr. Hanes asked me who paid for the quit-claim of the Squamish Reserve, alienated through the late Minister of Lands, Mr. Ross, and I stated that the Development Company paid it; that was quite true, but the cheque in the first instance was paid by the Railway Company in connection with some other matters on June 11th, and on June 12th the Railway Company was reimbursed by the Development Company by cheque for \$27,930. Is that all right?

Mr. Hanes: Under that agreement the Minister undertook to have certain legislation passed at the next sitting of the House; has that been passed? A.—I have applied to the Hon. T. D.

Pattullo to pass such legislation, and he wrote a reply asking me why the Act was not passed last session. I said that it was a matter in his Department, and he should know.

Mr. Taylor: Have you submitted a draft Bill to the Hon. T. D. Pattullo? A.—Oh, yes; and we have the undertaking of the Department to put through the legislation.

Q.—That draft Bill was not one of the draft Bills that you referred to the other day? A.—No; but it is in the building, and we could have it now if necessary, together with the letter accompanying it.

Q.—What would that draft Bill be called? A.—Relating to the Squamish Indian Reserve; it would be a Bill to confirm an Order in Council.

Q.—When was the Order in Council passed? A.—I would say round about that date that we gave the cheque.

Q.—The Bill will show? A.—Yes.

Q.—The draft Bill will show? A.—Yes.

Q.—Thank you. Is there any other statement you wish to make, Mr. Tate; anything else? A.—Well, in regard to the amount of money that we got from the Government for the holdings which we purchased from the Howe Sound & Northern Railway Company, I notice that the newspapers had it \$108,000, but it is \$180,000—I suppose the official reporter would have that right; it is \$180,000. The figures put in by Mr. Gamble last night were \$193,000, of which a refund of \$5,000 had to be returned by P. Welch, and was returned. That makes it \$180,000-odd, as I said.

Q.—There was a deduction of \$5,900? A.—Yes.

Q.—That has already been squared up? A.—Yes.

Q.—And paid back, I understand; that also makes the amount received in respect of those seven miles of railroad purchased from the Howe Sound people? A.—Yes.

Q.—\$180,000? A.—Yes, that is right.

Q.—Approximately \$180,000? A.—That is right.

Mr. Hanes: In that connection, wasn't there \$83,000 of that should have been paid for the right-of-way? A.—I don't know how it is made up.

Q.—I am asking you if you know if that was so? A.—No, I don't know; Mr. Gamble's certificate will show.

Q.—Has the P.G.E.R. got the title for the land which they paid the money out for? A.—Yes, but not title for the lands which the Development Company conveyed them, and for which they only gave their note; they have got title to some, but Mr. Gamble can tell you better about that.

Q.—Out of the money the Government paid, I understand, there was \$83,000, approximately, paid over to Foley, Welch & Stewart for a right-of-way, or for land in connection with railway purposes? A.—Perhaps there was, I don't know; but the certificate will show that.

Q.—And you do not know whether title has been issued to the Railway Company or not? A.—Yes, I know the railroad got title for all that Mr. Gamble passed.

Mr. Taylor: Has the Development Company title to give to the Railway Company for the lands included in the agreement filed? A.—Oh, yes.

Q.—Notes were given for about \$800,000? A.—Yes; they have got certificate of indefeasible title; that is, the Development Company.

Q.—We were referring last night to the alleged overpayment of \$5,704,316.50; your letter was read, and I have asked you to produce a letter of 27th January, 1917, from Mr. Oliver, to which that letter was a reply? A.—Well, have you got a copy there? I can speak as to the copy.

Q.—What was the date of that letter, that long letter last night?

Mr. Maclean: The long letter is dated the 20th of January, 1917.

Mr. Taylor: That cannot be a reply to this letter; this letter cannot be one to which he has replied.

Mr. Maclean: That long letter was the 20th January, 1917.

The Secretary: January 30th, 1917; you made a mistake.

Witness: That letter of mine was in reply to this letter; this is a true copy of the letter; then there was also one from the Prime Minister.

Mr. Taylor: That will be Exhibit 35.

Mr. Maclean: This is from the Hon. John Oliver, isn't it?

Mr. Taylor: Yes.

Mr. Maclean: And your letter of 30th January was a reply to this? A.—Yes.

Mr. Taylor: That letter of the Hon. Oliver, to which the long letter of Mr. Tate was a reply, reads as follows: 27th January, 1917; it is Exhibit 35; it is directed to D'Arcy Tate, Esq., etc.: "I am enclosing a copy of Price, Waterhouse & Company's report. In this there are several matters to which I wish to direct your attention—namely, the statement made on page 2 to the effect that \$231,644.83 was deducted from the price paid for the Railway Company's securities in London, and that this amount has not been paid into the bank to the credit of the Finance Minister as required by the Statute. I would also direct your attention to the statement made on page 3 to the effect that your salary to the amount of \$1,000 per month is included in the charges, and apparently paid out of the trust moneys deposited to the credit of the Finance Minister. I would also draw your attention to the further statement on page 3 which alleges that an arithmetical error occurred, amounting to \$5,765.76, in the computation of the price paid for the Howe Sound & Northern Railway, and also the statement made on page 4 that the title to a certain right-of-way for which \$83,690 had been paid out of the trust fund is still in the name of the vendors. I would also like to draw your attention to the statement made on page 6 to the effect that an amount of \$5,704,316.50 has been paid to the Company in excess of the proportion of the trust fund standing to the credit of the Finance Minister which were authorized by Statute; and some certificates given by Mr. Gamble, the Chief Engineer of Railways; that is, Certificate No. 29 shows that \$602,216.30 appears to have been paid to the Company without any corresponding undertaking of construction or supply of materials as contemplated by the Statute. I would like to have any explanation which you care to offer to the Department in respect of these matters before the report is taken up by the Executive Council. I would be pleased if you would give this matter your prompt attention." That is Exhibit 35. Now I file the Auditor's Report as Exhibit 36. (To the Secretary: I will retain it here a little time, and I will put the 35 on it.) Would you let me see that letter of yesterday—that letter of 30th January?

Mr. Maclean: Exhibit No. 31.

(The letter not being immediately available, Mr. Taylor dropped the question for the time being.)

Q.—In that letter of the 30th January, read last night, was an important statement, in which you were referring to this \$5,704,000, and you said that, whilst you had been paid in full out of the trust fund for the work done from time to time, and not in the proportion that the work that was done bore to the total of the work to be done, done and to be done, as required by the Statute, nevertheless that was justifiable because it was the practice followed by the same Government in respect of the Canadian Northern Pacific Railway construction in this Province. You adhere to that, do you? A.—That is one statement made, is it?

Q.—That is a correct statement, is it? A.—Oh, yes.

Q.—How do you know what the late Government did with respect to the Canadian Northern Pacific Railway Company? A.—I was informed.

Q.—By whom? A.—General Stewart.

Q.—But he was not a part of the C.N.P., was he? A.—He was informed by one of the officials of the C.N.P.

Q.—Which official? A.—Mr. White.

Q.—Mr. White being in what position? A.—Chief Engineer.

Q.—Of the Railway Company? A.—Yes.

Q.—How do you justify perpetuating a wrong, if you were getting these moneys contrary to the Statute; how do you justify it because it was done in a wrong way with regard to some other company? A.—I didn't consider it was done in a wrong way.

Q.—We will clear that up right here. The most important clause probably, in this whole inquiry is subparagraph (d)—subparagraph (d) of paragraph 9 of the agreement of the 10th of February, 1912, being Schedule A of chapter 34 of 1912; page 194 of the Statute. Now, that paragraph reads as follows; there is no necessity of reading all the clause—in the middle of subparagraph (d), which is found on page 194 of the Statute, are the following words: "And from time to time, as the work of construction proceeds, the Government, by the Minister of Finance or other duly appointed representatives of the Government, shall out of the said balances certify to the bank the amount to be transferred from the said account to the credit

of the Company or its nominees, in monthly payments as far as practicable, such sums as are justifiable having regard to the proportion of work done and materials and supplies purchased for the said railway as compared with the whole work done and to be done thereon pending completion of the said line." Those are the important words. Now, there is the mandate of the Statute, Mr. Tate—there is the basis upon which those moneys are to be paid out of these guaranteed funds? A.—Yes.

Q.—And, I assume, only a part of the funds that any reputable railway should have for the purpose of carrying on a work of construction; it would not surely be contemplated that it would be the whole of their funds; the guaranteed securities of the Government; and hence out of those funds may be paid a due proportion—namely, the proportion that those guaranteed funds bore to the estimated cost of the railroad—the total cost of that railroad. That was not done; the whole of the cost was being paid by the Government and not a proportion. Have you any other justification for the course pursued other than there was the same thing done by the same Government with regard to the Canadian Northern Pacific Railway Company in this Province? A.—Well, I do not want to argue it, Mr. Taylor; but that expression that you have just read from the Statute is not as clear and explicit as you seem to assume it is. I should say that that language is very involved, and if you attempt to state an arithmetical sum in proportion under it, you cannot do it. Supposing that we put in an estimate of \$100,000, what proportion do you say should be paid under that Act? You cannot work it out.

Q.—Do you admit, as the chief executive and administrative officer of that Company, that some proportion should have been respected if the Statute were strictly followed? A.—That would seem to be the intention; that is why they used the word proportion.

Q.—I think the rest is for the Committee to decide? A.—Yes.

Q.—You admit the basis? A.—No; as I said in my letter, I cannot admit anything so far as the legal construction goes; I am merely admitting the facts.

Q.—Not in the sense of binding the Company, but so far as your own Company is concerned, is that your opinion of the matter? A.—That is a matter, I think, upon which Mr. Maclean should give an opinion; he is counsel in this case.

Q.—You have already answered it. I will produce another letter of yours on the same subject. You see, Mr. Oliver in the letter which I filed this morning, which was Exhibit 35, asked you to explain certain things, and you give an explanation in this letter, and amongst other things saying as follows—I will read a little farther back if it might be necessary. At page 6 of Exhibit 35—31—Exhibit 31, page 6, is as follows: "With respect to the amount of \$5,704,316.50 which the report states the Company has been paid in excess of the proportionate value of the work done to November 30th, 1915, as I have not had the advantage of perusing the memo. of the Attorney-General's Department dated 20th January, 1917, and addressed to the Hon. the Minister of Railways as referred to in the report, I do not know upon what precise grounds the interpretation of the language of the charter by the auditors has proceeded. I can only say that in making payments to the P.G.E.R. under clause 9, subparagraph (d), of the agreement with the Government of the 10th of February, 1912, the Government followed the practice that had obtained with the Canadian Northern Pacific Railway during the two years previously. I might say that the P.G.E.R. agreement is practically verbatim with the C.N.P.R. agreement of 1910, and in a general way, if not entirely, the practice and procedure adopted by the Government in the case of the C.N.P.R. in working out the agreement with that Company was followed in the case of the P.G.E.R. agreement." You have two other short paragraphs on the same subject which I think I should read in order to make clear in connection with it: "Monthly estimates were paid by the Government as rendered, less a retention of 10 per cent." And the next paragraph: "It was the policy of the late Government to favour a liberal construction of clause 9, subparagraph (d), for the purpose of expediting construction."

Mr. Maclean: Then it goes on and shows how it did go, and arranges that these moneys should be applied in that way.

Mr. Taylor: Now, on the same subject, I have your letter, the letter of Mr. Tate, of February 3rd, 1917, directed to the Hon. John Oliver. I am not reading the whole of the letter just now, but I will read it afterwards. I want to read now the conditions that I am referring to—

The Secretary: Call it Exhibit 37.

Mr. Taylor: That will be Exhibit 37.

Mr. Pooley: An exhibit cannot be put in as an exhibit until it is proved.

Mr. Taylor: No. In the beginning of the second paragraph: "The Province has had the full knowledge of the full situation from first to last, and the course followed has been fully understood and agreed upon." I filed this letter as Exhibit 37, and I will read now the whole letter. February 3rd, 1917, to the Hon. John Oliver, written without prejudice. "DEAR SIR,—I am in receipt of your letter of the 30th ult., dealing with the liability of the firm of Foley, Welch & Stewart for the equipment and completion of the P.G.E.R. Such of the matters as mentioned in your letter as have occurred owing to the difficulties of the situation existing from time to time as a result of developments which were not and could hardly have been contemplated at the time of the creation of the agreement. The Province has had full knowledge of the whole situation from first to last, and the course followed in connection with the agreement has been fully understood and agreed upon. In further contemplation of the difficulties of the situation and with full knowledge, the Province finally made a loan to the Company of a sum estimated at the time to be sufficient to complete the line. However these circumstances may be and in connection with them, we reserve, of course, all our rights. The problem is to bring about the completion of the line, and as to this we have no doubt you are as deeply interested as we are. We consider that the work done has been done with the greatest efficiency and at the least cost possible. We have no doubt that we are in a position to aid in the completion of the line with the greatest efficiency and economy possible, and we would like to have the opportunity of conferring with you on this phase of the matter, as well as to have a discussion of the whole situation. It is, of course, a question of finances, as the writer has already explained to you, and we are ready to go to the utmost lengths possible in the endeavour to arrive at a solution of the situation. The situation is somewhat more difficult owing to the absence of our Brigadier-General Stewart, who is at the front, but the writer is very desirous of having a conference or conferences with you as soon as possible with the object of devising means for the completion of the line as soon as possible.—FOLEY, WELCH & STEWART, per P. WELCH." That is in reply to a letter which was written to Mr. Welch on the 30th of January, 1917, which I will file as Exhibit 38. The Hon. the Minister of Railways to P. Welch—D'Arcy Tate, Vice-President: "In reference to the liability of the firm of Foley, Welch & Stewart for the completion and equipment of the P.G.E.R., I beg to draw your attention to the following questions: The time fixed for completing the railway expired on the 1st day of July, 1915, and as far as I have any information, no extension of time has been granted for such completion. The P.G.E.R. have on three separate occasions defaulted in the payment of interest upon the bond issue, and the Government have paid out on account of their guarantee the following amounts: January 14th, 1916, \$316,016; July 17th, 1916, \$315,366.39; January 13th, 1917, \$422,044.08; a total of \$1,053,427. I also direct your attention to the fact that our auditors find that the Railway Company have received from the trustees of the credits guaranteed by the Government the sum of \$5,704,316.50 in excess of the amount which they were entitled to receive on account of the construction of the work done. I understand that you are the only member of the firm of Foley, Welch & Stewart at present in British Columbia, and I am approaching you in this informal manner in order to afford you an opportunity to place before me in writing any reasons you may care to advance as to why legal proceedings should not be instituted to obtain the benefit of your firm's guarantee, or, alternatively, to afford you an opportunity of furnishing this Government with satisfactory proof of your intentions and ability to ensure the completion and equipment of this railway according to the spirit of your contract without further delay. As we are still proceeding with our inquiries into these matters, you will kindly understand that this letter is written without prejudice to the rights and claims of the Government. Yours truly"—Signed by the Hon. Minister. Now, we are dealing with the \$5,704,316.50 item—did you have any personal conversation with the Hon. John Oliver respecting that sum? A.—Yes.

Q.—Did Mr. Oliver on the 4th of January last—that is, January 1917—point out to you that the provisions of that agreement, Schedule A, subclause 9, had been, in his opinion, ignored in the release of those moneys? A.—We had a discussion about it, yes.

Q.—Did you inform Mr. Oliver that Mr. Gamble had directed the attention of Sir Richard McBride to the matter, and that on the direction of Sir Richard McBride and Mr. Bowser, and on the suggestion of Mr. P. Welch, that the moneys had been paid out? A.—Not in that way, no.

Q.—I will read that to you again; I will read my instructions to you again, so that you can follow them. A.—Yes.

Q.—Did you inform at that time the Hon. Minister of Railways that the Government engineer, Mr. Gamble, had directed the attention of Sir Richard McBride to the matter, and that on the direction of Sir Richard McBride and Mr. Bowser, and on the suggestion of Mr. P. Welch, the moneys had been so paid out? A.—I would have to say no, if you put the whole thing in that shape.

Q.—Well, let us have your own version of it. A.—I can say yes to some of it, in instalments; what I stated to the Hon. Mr. Oliver was that the payment was not done inadvertently, but was done deliberately, and in pursuance of the practice that had been established with the Canadian Northern Pacific Railway for two years. I also stated that Mr. Gamble had called the attention of Sir Richard McBride to it in the first instance, and that directions were given, presumably, that the practice followed in the case of the C.N.R. should obtain with the P.G.E.R., and our estimates were paid thereafter. I had no further interview. Now, the reference to Mr. Welch there is not correct; Mr. Welch came in at a later interview, perhaps a year and a half or two years later.

Q.—An interview with whom? A.—With Sir Richard.

Q.—Yes? A.—And I stated to Mr. Oliver that either Mr. Welch or General Stewart were at that interview, or had been there at that time, but I did not know which it was. Mr. Welch says he was not there; if he was not, it was General Stewart who was there, but that was later on.

Q.—What took place when either of those people were there? A.—That was in connection with the time when there was a bread-line in Vancouver.

Q.—I am referring now to the overpayment of those moneys to the extent of \$5,704,000—what took place in that regard? A.—When I submitted my first estimate to Mr. Gamble, he called my attention to this section that you have just read, subsection (d) of 9, Schedule A, and I informed him that the C.N.R. had got their estimates paid monthly, and we were entitled to the same treatment, inasmuch as our agreement was on all fours with theirs. Mr. Gamble said I would have to see the Prime Minister about that, and I saw Sir Richard McBride, and there was a time when the estimates were held up for several months.

Q.—Well, what took place at the interview when Mr. Stewart or Welch was present, was my question? A.—Well, the question was at that time to put on more men.

Q.—You were putting on additional men? A.—So as to relieve the bread-line in Vancouver.

Q.—What time was this? A.—I could not fix that very definitely, but I think it was some time around estimate perhaps 19 or 26—some of those estimates.

Q.—Estimate 26—around 26—there was a time when the estimates were held up for two or three months? A.—Mr. Gamble did again insist upon this subsection (d) getting some attention from the Executive, and I was required to appear; and I remember at this interview Mr. Bowser was present, and, as I say, I think that Mr. Welch or Mr. Stewart was around there at that time; my own recollection is that it was Mr. Welch; I don't know whether Mr. Welch will agree to that.

Q.—Assuming that it was either Mr. Welch or General Stewart, what took place—it makes no difference which of them it was? A.—Well, the Prime Minister called in the Attorney-General, called him downstairs.

Q.—That is, the late Attorney-General, the Hon. W. J. Bowser? A.—Yes; and he said that Mr. Gamble was calling his attention again to this subsection (d), and that there was some question raised—I think the question was mentioned, anyhow—that we were being paid in excess of what we were warranted to under this subsection; and there was some discussion there, and I said we could not get along unless we got our payment as heretofore, and that the work would have to be curtailed, probably. Oh, Mr. Bowser said that would not do at all, because there was a very big bread-line in Vancouver now, and that would have to be relieved in some way. The result, anyhow, was that we increased our pay-roll. I am speaking now from recollection, but I think it was increased from about 3,000 men to 7,000, very considerably.

Q.—What month would that be? A.—That would be around Estimate 19 or 26, between those times.

Q.—This is the one where Mr. Gamble objected, is it? A.—Yes, that is the time he objected.

Q.—And these certificates will show the increased cost? A.—I know there was a considerable increase.

Q.—Have you got the estimates here? A.—Yes, sir.

Q.—Well, now, did you put that whole thing on the bread-line in Vancouver? A.—Oh, no, general expediency.

Q.—It was the same practice that had operated from the very beginning, no difference at all? A.—Exactly.

Q.—What had the bread-line to do with it? A.—That simply accentuated the situation.

Q.—You told me just a moment ago, when you got your first certificate and presented it to Mr. Gamble, he objected, and he then went to Sir Richard McBride, when you were not present, but the result was that you got your money; and that first certificate didn't contain a single dollar for a single stroke of work done on the construction? A.—I assume what is in it will show.

Q.—Produce those certificates, please.

The Secretary: Do you want them all?

Mr. Taylor: I want the whole thing, every one of them; from the Finance Department as well.

Mr. Maclean: Mr. Taylor, have you the memo. here given by the Department of the Attorney-General to the Minister of Railways, referred to in the auditor's report?

Mr. Taylor: I have not got it, no; I do not know whether those things are confidential or not. If it is producible, I will produce it.

Mr. Maclean: Will you kindly take a note of it, and I want the letter of the auditor to the Attorney-General's Department requesting an opinion upon that section.

Mr. Taylor: Now, Certificate No. 1—the certificates may all be filed as one exhibit—39.

Mr. Pooley: How many are there, Mr. Taylor?

Mr. Taylor: Forty-one, I think.

Mr. Maclean: Forty-one progress estimates, you call them.

Mr. Taylor: They will be needed at the next branch of the investigation more fully than in this branch. The first one is September 20th, 1912. The last one is December 23rd, 1915; and I will want the \$6,000,000 loan certificates as well—there are six of them—this afternoon.

Q.—Now, the first certificate, Mr. Tate, Certificate No. 1—

Mr. Maclean: These are the original certificates?

Mr. Taylor: Yes, these are the original certificates. The first is a certificate, or a claim for \$46,845.21, signed by your Mr. Thomas on September 16th, 1912, all of which was paid to you. I am not going to go into all these certificates, but just the first one, as I have referred to the first one not containing any work on the road. Salaries and expenses, \$29,000—

Mr. Maclean: Of course, we contend that this is part of the work of the construction of the railways.

Mr. Taylor: I understand your contention. Salaries and expenses from April to August, 1912, \$29,710.76, that is out of a total certificate of \$46,845.21; equipment, \$8,428; office furniture, \$1,279; office expenses, \$1,874; general, \$3,180; law, \$75; stationery and printing, \$1,136; executive and accounting, \$1,158. I have not given the cents; that makes a total of \$46,845. From which you will see there is no actual breaking ground or anything of that sort up to that first certificate, just as I stated. A.—But there was \$29,000 of that which went for locational engineering, which is as near as you can get to breaking ground, and is, in a sense, a preliminary thereto.

Q.—The certificates where Mr. Gamble first objected are Nos. 25 and 26; thereafter the matter again subsided and was not taken up for a time, according to the letters. I would like to get the date of those estimates so that the Committee can investigate it for themselves. Now, the two letters where Mr. Gamble discussed this matter; I want those; he did not discuss it in his report in regard to the first certificate at all. The letter is attached; it is a short letter, and there is no discussion about the proportion or anything else.

Mr. Maclean: A letter from Mr. Gamble?

Mr. Taylor: Yes, a letter from Mr. Gamble; a letter is attached to every one of these, and one on the 16th of September, 1914, to wit, about a month after the declaration of war, and I think before there was any bread-line in Vancouver. I may say that the Kettle Valley construction-work was going on all the next year.

Mr. Maclean: What is the date in September?

Mr. Taylor: 16th September, 1914, war having been declared on the 4th of August. This is his letter; these two letters differ from all other letters written: "I have the honour to hand you Certificate No. 25, showing the estimated value of work performed by the Pacific Great Eastern Railway Company during the month of August last, and amounting to \$1,427,186.79. The total value of certificates issued to date is \$11,433,209.28, covering the outlay on construction of 427 miles of line between North Vancouver and Fort George, for the whole of which distance work is in active operation. The total estimated distance between North Vancouver and Fort George is 480 miles. In this distance there remains unpurchased twenty-seven miles between White Cliff and Squamish, and twenty-six miles between 83-Mile and 111-Mile Creek, the latter point being 278 miles north of North Vancouver. There are at the present time engaged upon this work a force of between 6,000 and 7,000 men. The total amount of guarantee—that is, \$42,000 per mile of line for a distance of 480 miles—is \$20,560,000. The estimated approximate final cost is \$27,811,927. Further, the amount required in excess of the guarantee to complete the road is \$7,651,927. The whole of the work done to the 31st ultimate is \$11,433,209, as above stated; the percentage of work done, that is, the percentage of work done based upon the final estimated cost of the line is 41.12 per cent. The approximate amount payable therefor under section 9, chapter 3 of 1910, that is a mistake—section 9, chapter 34, 1912, is \$8,289,792. The value of rolling-stock, plant, material, and supplies on hand is approximately \$1,180,000." There, Mr. Tate, the amount payable approximately is \$8,289,792, but you had received on that date \$11,433,209. A.—I should say Mr. Gamble put his value on that; I do not assume those figures necessarily.

Q.—You had the session with the Hon. the Premier, and the Hon. Mr. Bowser, and Mr. Stewart or Welch and yourself as a result of that letter of Mr. Gamble's? A.—Well, now, I don't know about that.

Q.—This is Certificate 25? A.—I know that we only had one interview at which Mr. Bowser was present, and it may be that Mr. Gamble was voicing similar objections to that verbally before the letter was written; I could not say.

Q.—You say, as the result of the Certificate, 25 and 26, you had this interview? A.—I didn't put it so definitely. We increased the number of men after this interview all right.

Q.—Well, as the result of the Certificate, No. 25 and 26, we will just see how that stands; Certificate No. 25, 16th September, 1914, there were between 6,000 and 7,000 men working? A.—Yes.

Q.—Then you had your conflicts? A.—The interview must have been before that, then.

Q.—Well, we will see. These are the only two letters where he held you up; the certificates of the 19th October, 1914, there were between 6,000 and 7,000 men working just the same; the next one, on November 17th, 1914, there are 6,000 men working; I understood your evidence was that you increased it from 3,000 to 4,000 up to 7,000? A.—That is my recollection.

Q.—That is a mistake, is it? A.—No, it is not. You see, I am trying to place the date of that interview with regard to those estimates, but I may be altogether wrong.

Q.—Will you place it again, so that we can check it up? A.—I cannot, any more than to say that there was one interview at which Mr. Bowser was present, and in which reference was made to the bread-line at Vancouver.

Q.—The bread-line at Vancouver is something that would be after the war.

Mr. Maclean: Not necessarily.

Witness: I don't really know.

Mr. Shatford: Before the war, conditions were appalling there long before the war, Mr. Maclean.

Witness: In pursuance of that interview an officer was appointed at the instance of Mr. Bowser whereby this bread-line was relieved systematically; that official was appointed in Vancouver; no doubt you can get the date of his appointment there; he worked in conjunction with Welch's office.

Mr. Taylor: I think you are entirely wrong in your year; you are referring to the Rev. Ireland, who was appointed after 1914. A.—I may be; I may be.

Q.—No—appointed in 1915. You are entirely wrong in that, and there was no bread-line there up to the time of the war.

Mr. Maclean: Now, that is your evidence, Mr. Taylor, and it should not be taken down.

Witness: But the interview at which Mr. Bowser was present, and the only interview that I recollect, was one at which this bread-line was discussed.

Q.—Will you swear to any other date, or that it was no other date when the interview might be, and we will check it up? A.—I could not do any better than that; my letters will show that I objected to our estimates being held up, and these letters will speak for themselves as to the dates.

Q.—I will tell you that these two letters are the only two letters containing reference to this particular feature in the certificate; you can take my word for it. A.—I am not disputing it at all.

Q.—Certificates 25 and 26.

Mr. Maclean: We are not disputing that, but then that is not admitting the fact.

Mr. Taylor: Was there any other time that your estimates were held up by the Government? A.—I think there was, and my letters will show; they were held up, if not by Gamble, at least by the Government. There was one time when they were held up.

Q.—What is the date of that? A.—I cannot tell you; there was a telegram that I had the other day which refreshed my memory, in which we stated that if our estimates were not paid by 12 o'clock noon, we would let the whole men out without paying their wages.

Q.—But you cannot tell me the date of it? A.—That was the suggestion which was made.

Q.—I would like the date so that we can look it up; can you give me the year; was it before or after this interview, or what month was it in?

(Mr. Thomas: My idea was, August, 1914.)

Witness: I can produce the telegram itself, or a copy, after lunch; and there are letters, too.

Q.—At that time you had also 6,000 or 7,000 men working, and there was no objection to your certificates by the Government engineer, Mr. Gamble; the total value of your certificates received on the 14th of August were \$10,006,000; the total value of your certificates received on the 16th of September were \$11,433,000, so you got \$1,000,000 in the meantime? A.—I know we had trouble from time to time about getting our certificates released promptly.

We will take the one before; that is the certificate of the 16th of July, 1914, and between that and the August one you got considerably over \$1,000,000; the difference between the two figures—well, the exact figure is \$856,000. Now, could you give me another date when they were not coming promptly every month? I will tell you that they were so prompt that it is either the 14th or the 16th of every month that you got your certificates passed by the Department. A.—I know that it is not the case; I will look it up in particular, though.

Q.—I see some on the 13th (of the month) and some on the 17th, and one on the 20th. We have the certificates here on the file; do you venture this statement that you did not get your regular certificates passed every month? A.—Why, certainly I do.

Q.—Will you be kind enough to indicate what month that occurred in? A.—I will bring my letters after lunch; I thought they were here, but they are not. Of course, towards the end our certificates came more slowly.

Q.—Did you apply for them every month? A.—Oh, yes.

Q.—You applied for them every month?

Mr. Maclean: If you look at these dates there, does that show when they were paid?

Mr. Taylor: It shows when they were passed. I will have the Finance Department give us the information about that, and see when they were paid. Their records will synchronize.

Mr. Maclean: You might find a hiatus there.

Mr. Taylor: I don't think we will; but we will see when we get the Finance Department ones here.

Witness: There must have been considerable delay some time.

Q.—The ones we have produced are from the Department of Railroads. The Orders in Council will be attached to the Finance Department ones telling exactly when they were put through. I am still referring to that \$5,704,316.50—that is, the overpayment—and I will refer to what took place between you and the Hon. Mr. Oliver—I have passed the one interview. Did you give as a reason to the Hon. Mr. Oliver that the reason these moneys were passed out to you without regard to these proportions was that the bank was only giving 4½ per cent. interest, and Mr. Welch had to pay 6 per cent. on his overdraft, and it was advantageous to have the money paid by the Government rather than have Welch increase his overdraft in the bank? A.—Not at the first interview.

Q.—At any interview? A.—Yes, that was mentioned at that other interview; that was one of the circumstances mentioned.

Q.—You think that is a reason why the mandate of the Statute should be violated? A.—We did not put it that way at all; it was simply a reason for the exercise of an intelligent executive discretion; that is what it was.

Q.—Do you think that there is any executive discretion in that Statute? A.—Yes, I do.

Q.—which I have read? A.—Yes; for instance, Mr. Taylor, supposing the cost of the work would only amount to \$35,000 a mile, we would be entitled to the full value of those certificates.

Q.—I understood you to agree with me upon the basis that that Statute, if construed properly, means the observation of certain proportions.

Mr. Maclean: Now, I will say that it does not mean anything of the kind; and I am going to take the position that the provision is absolutely senseless; that after the word "justifiable" it is a mere collection of incoherent words.

Mr. Taylor: Who prepared that agreement, Mr. Tate? A.—Mr. Bowser, I presume, prepared the agreement with Judge Phippen; I mean the form of agreement; Judge Phippen was chief counsel for the Canadian Northern, and that is when that clause was settled. We simply had to take that clause from the Canadian Northern verbatim.

Q.—You had nothing to do with the preparation of that agreement? A.—Not the slightest.

Q.—You are a railway counsel, are you not? A.—Yes.

Q.—And a barrister, practising your profession for a good many years? A.—For over twenty years, since 1893.

Q.—And your experience has been in connection with railway-work, largely railway-work? A.—Altogether, since 1895.

Q.—You do not wish to withdraw your statement to me in regard to your opinion as to the construction of that paragraph, do you, given a short while ago? A.—I didn't give you my opinion.

Mr. Pooley: I did not think Mr. Tate was called as an expert on law.

Witness: I could not give you an opinion like that. What I did say was that the word "proportion" was intended to have some significance. I still say, in spite of the word "proportion," if this work didn't cost any more than \$35,000 a mile, we were entitled to have the full amount of the monthly estimate.

Mr. Taylor: When you had your interview as the result of Mr. Gamble's action with the Prime Minister and Mr. Bowser, your argument to them was that you wanted to be treated the same as the Canadian Northern? A.—Yes.

Q.—Your argument was not the same that has been suggested, that the proportion could not be observed? A.—Oh, there was not any argument; I simply stated that the Canadian Northern had received the full amount of the estimate, and we expected the same treatment. Sir Richard McBride did not argue with me; he said: "Well, I will see Mr. Gamble about it."

Q.—The certificates were Exhibit 39.

Witness: You see, there is another expression in this jumble of words that Mr. Maclean calls them—material and supplies purchased for the railway; of course, there was perhaps the best part of \$1,000,000 worth of material and supplies being sent for the proceeding with the work, and no doubt the engineer had that in his mind when passing these first estimates.

Mr. Hanes: Mr. Chairman, Mr. Tate has stated, or at least assumed, that the word "proportion" has some significance, and that the line only cost \$35,000 a mile complete; don't you think that the section means that the moneys for work done would only be paid under that subsection in proportion to the work done, or to be done, pending the completion of the line?

Mr. Maclean: Only the proportion until the line was completed? A.—Until the line was completed—of course we would be entitled to the full amount.

Q.—After the full completion of the line? A.—Yes.

Q.—But not before the line was completed? A.—Oh, no; we were entitled to our estimates every month.

Q.—You were entitled to your estimates every month pending the completion? A.—Supposing the line was one-third completed, we would not be entitled to payment out of one-third of the proceeds; supposing that the cost was \$35,000 a mile only, that would mean one-third of the total amount of the proceeds.

Q.—Pending the completion? A.—Yes.

Mr. Hanes: Mr. Tate, I understand the position your Company took in regard to that section; do you take the position that the Government took it in this way: that it was a mere jumble of words and could be ignored? A.—Oh, no; the Government didn't take that position, because it was their own Act.

Q.—Neither party at the time of the interview took that position? A.—Oh, no; it didn't amount to any argument at all. I simply said to Sir Richard McBride that Mr. Gamble had called my attention to the provision of this clause intending a proportionate payment, and that I understood the Canadian Northern had secured the full amount of their monthly estimate under a precisely similar subsection, and that we were expecting the same treatment; and he simply said: "I will see Mr. Gamble about it." There was not really an argument. The thing was never argued at all from a legal point of view as to the legal interpretation of it.

The Chairman: After Mr. Gamble went on record in the matter in the way you have stated, was the issue ever then faced, whether this was the intention of the section, or if it had a joker in it? A.—No; but what was considered at that interview was the expediency—what was the best thing to do at the then juncture; and Mr. Bowser said that the work should not be allowed to stop, and Sir Richard McBride agreed, and we were agreed.

Q.—Was there any discussion as to the powers that the parties had under this section? A.—No; it was just a question of expediency and what was the best thing that could be done in the interests of all parties.

Q.—And in the discussion was the question ever raised whether they had power to do it or not? A.—No; there was no legal interpretation, as I said, placed upon it—that is, when I was present; of course, I left Sir Richard McBride and Mr. Bowser there with Mr. Gamble.

Q.—Let me understand. I am talking about the time after Mr. Gamble had put himself on record by this letter where he took the position that the thing was illegal? A.—Yes.

Q.—After that date was this issue ever faced or discussed by anybody to your knowledge? A.—No, not on the legal interpretation.

Mr. Taylor: Then, as far as you know, the first time that any contention has been put forward that clause (d) is a jumble of words is Mr. Maclean's contention this morning in this room? A.—Oh, no; I could not answer that question, but at the first time that it was ever mentioned that we were overpaid to the extent mentioned in the auditor's report—that is, Price, Waterhouse & Company's report—would be when it was suggested, I think, by Mr. Oliver last session.

Q.—Now we will pass to another matter, unless you wish to say anything more with regard to that \$5,704,000.

The Chairman: Mr. Taylor, can I see that letter of Mr. Gamble's for a minute?

Mr. Taylor: Certificates 25 and 26; if you gentlemen will take a note of them, you will probably need to refer to them.

Mr. Maclean: Do you say there was a letter attached to each one of the reports from Mr. Gamble?

Mr. Taylor: Yes.

The Chairman: Didn't you know that the engineer was protesting? A.—Oh, yes; but I don't think I saw those letters.

Q.—So when you saw this document you knew that he was taking that position? A.—Yes; I was asked to see the Prime Minister and Attorney-General about that very question.

Q.—And you say, when you got down to meet them, it was a question of expediency? A.—Yes, that is my recollection. I think that if legal opinion had been sought the Prime Minister or Attorney-General would have requested me to put myself in writing.

Mr. Hall: I would like to get that date as definitely as possible; when you say you saw Mr. Bowser, you just saw him once? A.—Yes.

Q.—And that it was after those letters? A.—That was once in Sir Richard McBride's office and during the time when Sir Richard McBride was Prime Minister. Of course, I saw Mr. Bowser afterwards when he became Prime Minister.

Mr. Hall: That is not in issue; I am trying to fix that date, when it was after those letters. A.—Yes, the date was after those letters.

Mr. Maclean: What letters do you refer to?

Mr. Hall: The letters attached to Certificates 25 or 26.

Mr. Taylor: Well, we will come to the next subject-matter. You have heard Exhibit 38 read, the letter of Mr. Oliver to Mr. P. Welch stating that on January 14th, 1916, \$316,016.80 was paid for interest on account of the Company in respect of the guaranteed bonds? A.—Yes.

Q.—And January 13th, 1917, \$42,044.08 paid by the Government in respect of their guarantee and your defaulted interest: a total of \$1,053,827.27. Now, I should judge that it is important to know the capacity of Foley, Welch & Stewart and the P.G.E.R. to carry on that work; and the Committee would like to know, in order that they may make proper recommendations to the Legislature, what is the reason that the Government has had to pay this interest, and Foley, Welch & Stewart under their guarantee, and your Company under its guarantee and in its financial position, was not able to pay its own debts? A.—I will have to make a general statement in answer to that question. When we took this contract we relied upon, and we were entitled to do so, certain sources of income. One was the sale of our townsites. Now, through the financial conditions that followed very shortly after the making of our contract, everything went flat in Vancouver, and in British Columbia, and, in fact, in Canada generally, so that we never sold a single foot of land that we had acquired for the townsites. The other sources of revenue, or income, that we expected to have, and to rely upon, was a subsidy which had been promised by the Dominion Government of \$12,000 a mile, and there had been a similar subsidy which had been actually paid to the Canadian Northern Pacific under similar legislation, and we relied upon those two sources. Now, in townsite lands, speaking approximately, we expended about \$2,000,000, and in the ordinary course of things, if the real-estate market had maintained itself, as it had been doing, we would have probably got anywhere from \$8,000,000 to \$10,000,000 for that expenditure. That was done in the case of the Grand Trunk Pacific and the Canadian Northern; they very largely implemented their construction account through the sales of their townsites; we relied upon that. Those two things failing us we were unable to finance. In addition to those two items, there is the fact that the price of labour went up, and the price of material almost doubled, so that all these things militated against the undertaking to such an extent that Foley, Welch & Stewart found themselves unable to finance the construction; that is briefly the condition.

Q.—We will discuss those matters separately. The Grand Trunk Pacific Railway in British Columbia got no subsidy, did it, from the Province? A.—It did from the Dominion.

Q.—I am talking about the Province. A.—No.

Q.—And it got from the Dominion how much? A.—75 per cent. of the cost of construction.

Q.—You got a subsidy of \$42,000 per mile and a loan of \$6,000,000 from the Provincial Government?

Mr. Maclean: Which we didn't get.

Mr. Taylor: I don't know what Mr. Maclean means by saying "which we didn't get"; they are getting it right along. A.—Yes, that is all right.

Q.—It has not been held back from them. Now let us go ahead with the facts as they are to-day. You have \$42,000 per mile and a loan besides of \$6,000,000 from the Province, not from the Dominion? A.—Yes.

Q.—Is your condition much worse than the Grand Trunk Pacific? A.—Oh, yes, considerably worse, because the Grand Trunk Pacific was all financed before the war broke out, and before this financial stringency overtook the world.

Q.—Well, let that go. I think it is apart from the matter. You expected a subsidy from the Dominion Government; have you anything in writing which would show that you have the slightest reason to expect any such subsidy from the Dominion Government? A.—We have no official writing, but I am satisfied that General Stewart has got perhaps informal letters.

Q.—Have you seen any? A.—No, I have not.

Q.—That is one reason. The next point, you referred to the covenant of Foley, Welch & Stewart? A.—Pardon me, I should have mentioned also the depreciation in the sale of those guaranteed securities. We sold those securities at one time at par; they are now being quoted at 74.

Q.—It does not make any difference now, you have \$18,000,000 as the result of the sale of them, didn't you? A.—Yes.

Q.—They sold very well after you raised the interest from 4 to 4½ per cent.? A.—Yes, they sold very well.

Q.—Just about as well as most of the securities that have been sold for several years by the Province? A.—We were unable to dispose of the remaining \$6,000,000 securities.

Q.—I mean, the guaranteed securities were just about as good as the Province has sold any for several years past? A.—Oh, I think so.

Q.—No, we have no complaint on that score. We will get down to the covenant of Foley, Welch & Stewart; that is beyond any question. At paragraph 7, Schedule A, agreement, subparagraph (j), and subparagraph (i), the preceding paragraph; this paragraph (j) has never ceased to exist. It is not wiped out at the time the road is completed. Most of these paragraphs are, but this paragraph is not: "The firm, meaning Foley, Welch & Stewart, will agree to indemnify the Government against all payments which it may make under the terms of this agreement, and against all loss which it may be put to in so far as the same are repayable by the Company, and against all interest which this agreement provides that the Company will repay, and against all costs which the Government will pay in enforcing these securities, and when the same are payable." There is Foley, Welch & Stewart's guarantee, and I am dealing with the financial possibility of the Company going on and completing this road; so far they have not put, subject to what you said yesterday, any money into this concern at all? A.—Of course, Mr. Welch can speak as to that authoritatively.

Q.—Now, those who guaranteed the Company have been called upon to pay \$1,053,827.27, and we had yesterday \$163,800 which was overpaid on the bonds and which has not been returned; we had \$85,521.93, and we discussed the \$5,704,316.50 this morning. Now, as to the \$1,053,827.27, are Foley, Welch & Stewart prepared to return that money to the Government? A.—Forthwith?

Q.—Within any reasonable time, yes? A.—Yes; as soon as the war is over and times improve, and business revives, I am satisfied that Foley, Welch & Stewart will carry this thing to a successful completion, and nobody else can do it so well.

Q.—I am simply talking about this amount of interest the Province has been called upon to pay. A.—Well, of course, they cannot pay it now; if they could, they would not have called upon the Province to pay it.

Q.—You are not prepared to carry out your covenant in the said paragraph (j) of paragraph 7 of that agreement? A.—Not at the moment.

Q.—Are you prepared to put up security to Government? A.—Mr. Taylor, we have given the Government everything we got from the Government. We have given them a mortgage on everything we possess, whether owned by the Railway Company or the Development Company.

Q.—There is the subparagraph, are you prepared to give security to the Government for the repayment of those moneys which the Government have been called upon to pay? A.—We cannot give them anything more than they have got; they have taken all we have.

Mr. Pooley: Are you referring to the Railway Company or the firm of Foley, Welch & Stewart?

Mr. Taylor: Foley, Welch & Stewart. A.—You will have to ask Mr. Welch about the firm of Foley, Welch & Stewart.

Mr. Pooley: I understand he is not a member of the firm? A.—No. But so far as the Railway Company and the Development Company are concerned, we have given everything we have got to the Government; they have a mortgage on all we possess.

Mr. Taylor: Referring to what a member of the Committee has said, do I understand that you cannot speak for Foley, Welch & Stewart? A.—As to their financial ability?

Q.—Yes? A.—No.

Q.—To carry out the guarantees? A.—No more than you could, Mr. Taylor; I know in a general way what the financial standing is.

Q.—I show you a letter of the 14th February, 1917. A.—I know what my belief is.

Q.—That is your letter, isn't it? A.—That is my letter.

Q.—Yes, that is your letter.

Mr. Maclean: Putting it in?

Mr. Taylor: Yes, I certainly am.

Mr. Maclean: It is in; what is the date of it?

Mr. Taylor: 1st February, 1917.

(Document marked "Exhibit 40.")

Mr. Maclean: Mr. Tate to whom?

Mr. Taylor: To the Hon. John Oliver, *re* order for steel rails. Now, there are some letters, and that is to go in with them.

Mr. Maclean: Why not read that now?

Mr. Taylor: It would be better to read the other first, if you don't mind. I think there is only one other letter which is necessary just now.

Witness: It is about some question of steel rails.

Mr. Taylor: Being \$1,250,000 in amount? A.—Yes. One of those letters is Mr. Oliver's, too.

Q.—You wanted the Government to guarantee the United States Steel Company, or whatever its proper name is, for your order of \$1,250,000, approximately, of steel rails? A.—Yes.

Q.—In that connection you wrote the Hon. Minister asking him to give the guarantee? A.—Yes, because Mr. Welch, he said—

Q.—Pardon me, I am not going into that feature of it; he gave you a letter of 8th February, 1917, which will be Exhibit 41.

Mr. Maclean: 41 is a letter from—

Mr. Taylor: The Hon. John Oliver to Mr. Tate. We are now discussing its connection with Foley, Welch & Stewart and their rights, and as to his answering for them.

Mr. Maclean: What is the date?

Mr. Taylor: 8th February, 1917. Mr. Oliver's letter to Mr. Tate, referring to these steel rails, reads as follows: "Referring to your letter in which you informed me that the mills with whom your Company placed an order for steel for the completion of the railway to Fort George are, before proceeding for delivery, asking for an unconditional guarantee from the firm of Foley, Welch & Stewart, which you state that the latter firm are unwilling to give. You also state that the firm of Foley, Welch, & Stewart are asking that the Government furnish its guarantee to be paid out of the proceeds of the loan of last session. In reply, I would say that as the firm of Foley, Welch & Stewart have already guaranteed the construction and equipment of the line of the railway for which this steel is required, and without which the railway cannot be constructed, equipped, and operated, this unwillingness on the part of the firm to meet requirements, and endeavour to share the responsibility thrown upon this Government, indicates the unwillingness of the firm to carry out its contract with the Government. There is no authority under the "Loan Act" of last year for the Government to make or enter into such a guarantee, as you suggest; and although I am willing to admit that the intent of the Statute might be held to cover such a proposition, yet in view of the evident reluctance of the firm of Foley, Welch & Stewart to carry out their obligations, I prefer to know now rather than at a later date whether the guarantee of this firm is effective or not. For the above reasons I decline to take any action along the line you suggest. This is Exhibit 41. Now Exhibit 40, Mr. Tate's answer. A.—Is that the whole letter—excuse me, no.

Q.—Surely it is. A.—There is another part to that letter.

Q.—Do you think so? Come and look at it. A.—From the one I have.

Q.—Will you produce the one you have got, please? A.—I will.

Q.—This morning? A.—In the ending paragraph; this letter is without prejudice to your rights under the "Loan Act," all of which are preserved.

Mr. Maclean: That is the difficulty of copies. Something is often added to an original letter which does not appear in the carbon copy.

Mr. Taylor: Is that another letter? A.—No, it is the same letter; that letter is all right, so far as it goes.

Q.—Yes, you are right; there are two copies of the letter here. You have the one with the other paragraph in? A.—Yes.

Q.—Apparently the same letter, that is right? A.—Yes.

Q.—It is apparently the same letter with an added paragraph. I will just check that over. I think, Mr. Chairman, it is the same letter with an added paragraph. This letter is without prejudice.

Mr. Maclean: "Think"—we say there is no doubt about it.

Mr. Taylor: "This letter is without prejudice and is not to be construed as in any way affecting the contractual obligations existing as between the Government and the railway, and the

Government and the firm of Foley, Welch & Stewart, or as affecting in any way the rights of the Railway Company under the provisions of the 'Loan Act' of last session."

The Chairman: You had better mark that as exhibit instead of the other one.

Mr. Taylor: Apparently the Hon. Oliver changes his mind after writing the first letter.

Q.—Now, you reply, you are speaking for Foley, Welch & Stewart? A.—For Foley, Welch & Stewart, yes.

Q.—Now, your reply on that subject is as follows: "To the Hon. John Oliver, *re* order for steel rails. I am in receipt of your esteemed favour of the 8th inst. on this subject; with respect to my letter of the 7th inst., Mr. Welch points out that it is liable to convey a wrong impression in so far as it states that the firm were unwilling to furnish the guarantee required. They are unable, not unwilling to do so. I quote from his letter, which I have had the pleasure of reading to you, as follows: 'It is not a case of unwillingness, but inability. The only means the Company have of paying for the steel is out of the proceeds of the "Loan Act" last session. We feel that your letter to the Minister does not set out the true position, that we are not unwilling to act in reference to the order. We are willing to do everything in our power to complete the road.'"

The Chairman: Is that a quotation from Mr. Welch's letter?

Mr. Taylor: Yes, that is a quotation from the letter.

Witness: I should like, if you will allow me, Mr. Taylor, to explain the reason why those letters were written at all.

Q.—Go ahead. A.—Well, Mr. Welch came over to see the Hon. John Oliver, and Mr. Oliver's statements to Mr. Welch were of such a nature that he went back to Vancouver thinking that the Government proposed to take all sorts of drastic proceedings against this line. The guarantee for the steel had actually been given last November by the firm of Foley, Welch & Stewart. He said: "What position will we be in if the Government try to foreclose us with this steel on our hands? We cannot stand for it; we won't do it." Then I wrote that letter.

Q.—I am dealing with an entirely different point, and a very important one. I assume, as I told you before, that one of the great purposes of this inquiry is to ascertain just how far your Company, and Foley, Welch & Stewart, on its guarantee, are able to go on and complete this important public project.

Mr. Maclean: Is that within the scope of this inquiry? I do not say that it is not.

Mr. Taylor: I assume that it is the purpose of this inquiry to go into it.

Mr. Maclean: I don't know what may be done afterwards, but I am talking about the present position of the inquiry.

Mr. Taylor: The Government direction is there, and it covers that point.

Mr. Maclean (reading motion of the House): There is not a word here about inquiring into the financial ability of Foley, Welch & Stewart to implement their guarantee; there is not a word about it; it is not within the scope of the inquiry at all.

Mr. Taylor: I imagine this Committee is sitting with a definite purpose in mind—

Mr. Maclean: They are sitting here under the powers conferred on them by the Legislature, and under no other powers; they have no right to go beyond the powers given to them.

Mr. Taylor: I do not wish to get into discussion at all, but the Committee is sitting here "to inquire into all matters directly or indirectly relating to the construction of the Pacific Great Eastern Railway." I imagine that it is the purpose of this Committee, amongst other things, to find out just how far the Government should interfere, by legislation or otherwise, with the prosecution of the contract by the present contractors.

The Chairman: As far as my view is concerned, I do not think there is any doubt about it that it comes within the scope and the authority of the Committee.

Mr. Taylor: If they are as helpless to carry on this contract as your letters say they are, it is a very important point, I should think, to ascertain that fact. You say that they cannot pay the interest and that they cannot make good with this guarantee.

Mr. Pooley: I would suggest, Mr. Chairman, that this question should be asked of the parties themselves, and should not be asked of a lawyer; get it first-hand instead of hearsay from Mr. Tate. Mr. Tate does not know anything about Foley, Welch & Stewart except what he is told. I will suggest that the Committee reserve that question for Mr. Welch and get it first-hand. We do not want any hearsay.

The Chairman: I think that Mr. Tate with his information would be a competent witness enough to tell us what he knows about it, bearing in mind what you say (Mr. Pooley), but I do not say that it is his version which is the most important.

Mr. Pooley: Do I understand you to say that you will accept hearsay evidence?

The Chairman: I do not think it is hearsay evidence; he has already told us some of his information with regard to it.

Mr. Taylor: You took the responsibility of sending that letter, Exhibit 40, which I have just filed, to Mr. Oliver? A.—Quite so. What I say is this: that Foley, Welch & Stewart cannot at the present time, gentlemen, proceed with the financing of this railway owing to the war conditions obtaining, and all we want is the guarantee of the Government to tide us over this time of stress and difficulty. And if we get that we will be able to bring the road to a successful completion.

Mr. Taylor: I was dealing with the question of \$1,000,000-odd interest which we have paid for your Company. Can you or Foley, Welch & Stewart put up proper security for it; are you willing to do that to guarantee the Government against the payment of that money? A.—My instructions are that they cannot make payment of it at the present moment.

Q.—Are they willing to give the proper security? A.—Foley, Welch & Stewart are not asking for any exceptional treatment, nothing but the ordinary indulgence accorded to every one at the present time.

Q.—Are they in any way willing to give the security? A.—Well, you will have to ask Mr. Welch as to the security part.

Mr. Maclean: So far as the Company is concerned, as Mr. Tate has told you, the Government have the security now, everything that the Company have got? A.—Yes.

Mr. Pooley: Let me just make a suggestion: When you speak of the Company, speak of the Railway Company, if you are referring to the Railway Company; and when you speak of Foley, Welch & Stewart, speak of the firm.

Mr. Maclean: They have given not only the security of the Railway Company, but the Development Company.

Witness: The Railway Company and the Development Company have given all the assets they have got in the Province of British Columbia, and they could not walk off to-day with 5 cents of cash.

Mr. Taylor: Now, Mr. Tate, your counsel has said that the Company has given all it possesses to this Government? A.—Yes.

Q.—And all that the Company possesses is what the Government has already paid for; is that not true? A.—No, it is not true.

Q.—I thought I had exhausted that point; who has invested a 5-cent piece in these Companies' existing assets other than the Government of British Columbia?

Mr. Maclean: Which Company are you referring to?

Mr. Taylor: Pacific Great Eastern Company.

Witness: We have got these assets that the Government never paid for. We have got 122 acres of water-front on the Indian reserve at Squamish which is worth millions of dollars.

Q.—Which your Company has not paid for? A.—It is paid for, every cent; why do you make that statement? We have a certificate of indefeasible title.

Mr. Maclean: That is the Railway Company? A.—The Development Company.

Mr. Pooley: The different Companies should be distinguished; there is the Development Company, the Railway Company, and Foley, Welch & Stewart.

Mr. Taylor: Do that, please; I am talking about the Pacific Great Eastern. A.—Yes?

Q.—Who has invested a 5-cent piece in any of the existing assets of the Pacific Great Eastern Railway Company other than the Government of British Columbia? A.—I say that Foley, Welch & Stewart have.

Q.—Where have they done it, how much? A.—Well, they have—I could not say how much without reference to Mr. Gamble's estimate. You take the hold-back against Mr. Welch to-day; there is \$750,000 that is not paid him.

Q.—Just allow me a moment—the only possibility of Foley, Welch & Stewart, as such? A.—Yes.

Q.—Investing the money would be the 40,000 shares that they paid up? A.—I know anything that is due to Mr. Welch must have been advanced by Foley, Welch & Stewart.

Q.—Yes; Foley, Welch & Stewart and Welch are the same thing? A.—No; but Welch—

Q.—If they are, we want to know it right now. A.—Welch had to get his estimates paid; if the Government didn't pay them, Foley, Welch & Stewart had to pay them.

Q.—Under what arrangement was that? A.—Well, because P. Welch is a member of the firm that gave this covenant to the Government under clause 4 of the agreement.

Q.—But under what arrangement; if P. Welch doesn't get his pay from the P.G.E.R., does Foley, Welch & Stewart have to pay Welch? A.—Yes.

Q.—Under what arrangement? A.—There is no arrangement, except the arrangement of common sense.

Q.—You don't mean to say that Foley, Welch & Stewart are interested in a contract with the Company under the name of P. Welch; if so, they are violating sections 110 and 118 of the "Railway Act." A.—That has nothing to do with it; the firm have got to produce that road in connection with the guarantee.

Q.—We have the situation that Welch has that contract in his sole liability and his sole interest? A.—Yes.

Q.—And Timothy Foley and John Stewart, if they are interested with him, are violating the "Railway Act," sections 110 and 118; which is it? A.—Better ask him that.

Q.—Beg pardon? A.—You can ask Mr. Welch that.

Q.—If it comes to that, I stop that point here. A.—Any money that we didn't get from the Government we would have to get it from Foley, Welch & Stewart.

Mr. Taylor: There is another letter connected with 40 and 41; I had better file it.

The Chairman: What moneys were put in the construction, outside of the Government?

Mr. Maclean: There must be \$700,000 or \$800,000 there, anyway, not given by the Government.

Witness: I was going to give a list of the lands upon which we were giving a mortgage to the Government.

Mr. Taylor: Who have placed moneys into the assets of the Pacific Great Eastern Company other than the Government, and other than the \$40,000 paid in on the shares? A.—Foley, Welch & Stewart.

Q.—How have they done it? A.—They have done it by advancing money out of their own funds, firm cheques.

Q.—How? A.—As it was required. Take, for instance, these Indian reserves at Squamish. The money was advanced by Foley, Welch & Stewart; where did they get it? Not from Welch, not from the Government.

Q.—Have you an account in the books of the P.G.E.R. with Foley, Welch & Stewart? A.—No.

Q.—How can you talk about them advancing money to the P.G.E.R. if there is not an account in your books showing that you owe them? A.—Mr. Taylor, I cannot answer that question; I can tell you the facts, that when we paid the Howe Sound Company \$1,100,000 for their holdings, where did we get the money? Not from the Government. That is Foley, Welch & Stewart's money.

Q.—You are talking about "we"; as Mr. Pooley has pointed out, that "we" means the P.G. Development Company; they were the parties that bought those holdings, and I want the Railway Company. A.—The Development Company had no funds or assets; and the money provided to buy out the whole Howe Sound Development Company was provided by Foley, Welch & Stewart.

Q.—Mr. Tate, you surely cannot want to mix up in this inquiry with the land speculations of the P.G.E. Development Company, which is a real-estate and townsitè company.

Mr. Maclean: Mr. Taylor, you were dealing with the question of security that had been given the Government. We stated that we gave you the security of all the holdings of the Development Company, and that Foley, Welch & Stewart put into that Development Company something between \$1,000,000 and \$2,000,000. Now, we say we wanted that offered to you as security.

Mr. Taylor: Well, in the first place, the P.G.E. Development Company has not or could not give security to the Government for anything.

Mr. Maclean: It has right here.

Mr. Taylor: Just a moment, please; I am asking Mr. Tate, has it or not given security?

Mr. Maclean: The Railway Company?

Mr. Taylor: The Development Company; the P.G.E. Development Company. A.—Yes, upon all its property to the Government.

Q.—Executed? A.—Executed.

Q.—You have in mind the Development Company? A.—Yes, sir.

Q.—Now, the Development Company has what properties? A.—The Development Company has the following properties: 1,200 acres on the Indian reserve, Squamish; 509 lots in the townsite of Squamish; 3,000 feet of foreshore at Squamish; 140 acres of foreshore and 149 acres of foreshore, known respectively as Lots 427 and 4272, all at Squamish, in the harbour of Squamish.

Q.—You say there has been executed a mortgage by the Development Company? A.—Yes.

Q.—That is with respect to the \$6,000,000 loan? A.—Yes.

Q.—Not in respect of the \$18,000,000 at all? A.—Oh, no, in respect of the loan.

Q.—How much have you been paid on account of the \$6,000,000 loan to date, how much? A.—\$1,000,000, approximately.

Q.—So that there is \$5,000,000 of that money that has never been paid by the Government to you yet? A.—Yes.

Q.—And the Development Company, and the Railway Company, and the shares of the Railway Company are the security for that \$1,000,000?

Mr. Maclean: The shares to the extent of \$12,000,000.

Mr. Taylor: The shares in the Railway Company are the security for the \$1,000,000 and the \$5,000,000 yet to come? A.—No; 49 per cent. of the stock of the Railway Company and 49 per cent. of the stock of the Development Company; but that is a different thing from the mortgage. We could give a second mortgage.

Q.—That is the mortgage security by the Development Company? A.—Yes.

Q.—That mortgage of the Development Company and the Railway Company, together with the 49 per cent. of the stock of the Development Company and 49 per cent. of the stock of the Railway Company, is the security for the \$1,000,000 already paid and the \$5,000,000 yet to come? A.—Plus \$2,000,000 stock that the Railway Company have given to the Province as a bonus.

Q.—In the Railway Company? A.—Yes.

Mr. Pooley: Mr. Tate has something else.

Witness: At Cheekye, 0.96 acres; at Cheakamus, 56 acres; Pemberton, 120 acres; Anderson Lake, 176 acres; Lillooet, 320 acres, 52 acres, and 70 acres; Williams Lake, 148.8 acres, 480, 318, 320, 101, 145, 165 acres; Peace River, 64 acres, 64 acres, 64 acres.

Mr. Pooley: I understand that you have paid for all those lands, the Development Company? A.—Clear title.

The Chairman: One thing I don't understand, Mr. Tate, about that; does that mortgage on those lands from the Development Company only cover the advance of the \$6,000,000 loan, or does it cover the bond issue? A.—No, just the \$6,000,000 loan.

Mr. Maclean: It is a mortgage given under the provisions of section 14 of the "Loan Act," which is chapter 38 of the Act of 1916.

The Chairman: That is a short way of getting at it.

Mr. Shatford: When will this be released—on the payment of the \$6,000,000? A.—Yes; when it is paid we will be entitled to call for a reconveyance of that to us.

The Chairman: Your question was on the question of security, and Mr. Tate in reply to that has given a security which was for an entirely different matter. I just did not get it in my head.

Witness: As far as the Railway Company is concerned, it has no more security to offer because you have all we have got.

The Chairman: You have the equity in that land after the \$6,000,000 loan is paid? A.—Yes.

Mr. Taylor: I impressed upon Mr. Tate the necessity of pointing out the policy of the Company and Foley, Welch & Stewart to carry out their guarantee, and hence their ability to go on and finish that road; and in that connection he said the Company had given its assets—it had no assets, but it had given everything it had; but it had no assets outside of certain assets which had been given—it had given everything to the Government. That is, the Railway Company. And then I asked him what assets did they have other than what they had given to them (meaning thereby other than what they had been given by the Government). They

were not adding anything to what the Government originally had. In that respect Mr. Tate says they had given a mortgage on their lands; then, to follow that up, I find it is a mortgage that the Development Company and the Railway Company joined in to secure the \$1,000,000 which has been paid out of this \$6,000,000. And when the Railway Company pay that loan, the Development Company will then be out no money or no security. Therefore the conclusion I would take, and would ask the Committee to take, from all that would be, when he says that the Railway Company has given all it has by way of security to the Government, it is only giving back what the Government gave to them; and the Development Company will eventually suffer no loss of security.

The Chairman: It will follow, as far as their interest in the bonds is concerned, that the Government will have no recourse against the lands of the Development Company.

Witness: You would have on the equity.

Mr. Hall: In what way? A.—By judgment.

Mr. Taylor: In what possible way by judgment? Here is \$1,053,827 interest which we have paid over for the Pacific Great Eastern Company. The Government has paid that. Now, I ask you in what way could the Government get back from the Development Company anything for that interest?

Mr. Maclean: It could not. We don't take that position.

The Chairman: You might as well let him answer it. We would get it by a judgment.

Mr. Taylor: You would get it from Foley, Welch & Stewart by a judgment? A.—Yes.

Q.—And why won't Foley, Welch & Stewart come forward under all these paragraphs (g) and paragraph (j) and show their good faith and give good security; and show that they want to go ahead and build this railway on something other than Government moneys?

Mr. Maclean: Now, I will say this: that the only object that Foley, Welch & Stewart have is to deal with the Government in the fairest way possible, but unfortunately they have had the misfortune that other people have had in these terrible times; but if they can make any satisfactory arrangement with the Government by giving them security on anything they have here, that will facilitate the carrying-on of the road and its completion, I have not the slightest doubt that they will do it. They have every disposition to do it. Now, if it would help out matters so that the Government could come to their assistance, to take another mortgage on the Development Company, it seems to me that there would be no trouble about its forthcoming.

Mr. Taylor: The Development Company is not mortgaged for \$1,000,000—not by any means.

Mr. Shatford: What was it you paid for these lands? A.—Somewhere about \$2,000,000; we started off with a payment to the Howe Sound Company—somewhere in the neighbourhood of \$1,000,000—and there were other payments; it would approximately come to a little under \$1,000,000.

Mr. Taylor: I did not quite catch your question, Mr. Shatford.

Mr. Shatford: I asked what was the actual cost of this land to the Development Company—that is, the land purchased by the Development Company and the actual cost.

Mr. Hanes: Wasn't some of that land for the Development Company purchased for development purposes and not as a townsite? A.—How do you mean?

Q.—You applied for certain sections on behalf of the Development Company at Swan Lake? A.—Not that I know of.

Q.—Well, the correspondence shows that. A.—Well, if it does it is all right, but I have no knowledge of it myself; but all the townsite lands were paid for, and none of it was bought from the Government that I know of, except the Government's reversionary interest in the Squamish Reserve, for which we paid them \$25,000.

Q.—Now, the balance-sheet which you filed with the Registrar of Joint-stock Companies, of your list of assets— A.—The Railway Company's assets?

Q.—That does not show that the Pacific Great Eastern Railway have any assets either by the holding of stock or the holding of lands as security in this Development Company. A.—No. The Railway Company has no assets in the Development Company.

Q.—The Railway Company have not any? A.—No; it is the other way round. The Railway Company is a debtor to the Development Company.

Mr. Hall: Excuse me. Before we go on, there was a statement made by Mr. Tate a moment ago that I would like to get straight. He said that Foley, Welch & Stewart wished to act fairly and were willing to give security on everything they had "here." Now, what did you mean by "here"? I take it that that statement is made with the authority of Foley, Welch & Stewart.

Mr. Maclean: Here?

Mr. Hall: Yes.

Mr. Maclean: I meant in British Columbia.

Mr. Taylor: Why confine it to British Columbia? Do they own anything in British Columbia?

Mr. Maclean: You are dealing with the question that they are only giving security for \$1,000,000, and if they were paid off they would have no security against these Development lands. Now, what I mean to say is this: Although I am not speaking with authority, they would be willing to do this if they could make any reasonable arrangement with the Government to carry on and complete the road; they will give the Government any security that they can, on what they have in the way of assets here in British Columbia.

Mr. Hanes: Now, what security have they in British Columbia? A.—Now, I have told you that these people have put something like \$2,000,000 into that Development Company outside of the Railway Company altogether. Some day those lands will be worth \$5,000,000 or \$6,000,000. Some of those lots have sold for \$1,000 a lot in Squamish.

Mr. Maclean: I will say this: When times improve these lands will be found to be one of the best assets the Government has. I am absolutely convinced of that. I happen to know what I am talking about.

Mr. Taylor: I don't think we know the situation in British Columbia, because that is a matter of prophecy. Now, this is a hard business transaction and we recognize the position—at least, I think the Government would recognize the position that Foley, Welch & Stewart would be in so far as raising ready money is concerned. I understand your offer up to date. Mr. Maclean, is with reference to Foley, Welch & Stewart under this covenant in this agreement—that they will simply give security on what they own in British Columbia?

Witness: Yes.

Mr. Maclean: Well, that is all I can speak of now. I don't represent Foley, Welch & Stewart, but I am sure what they have here in the way of security they would do that, and there would be no trouble about it.

Mr. Taylor: Mr. Maclean is appearing for Foley, Welch & Stewart, and Mr. Welch is a separate entity.

Mr. Maclean: So far as the Company is concerned, I can speak absolutely as to them. They have the wish to help the Government in this undertaking in every way, and if it is carried out we are all assured that there will be a good time for all concerned.

Witness: No one can finish the road with as great advantage as Foley, Welch & Stewart, because their plant and equipment is on the ground and they are the only ones interested in keeping down the cost.

Mr. Hanes: But you told us that that plant which was brought from Prince Rupert, and was used by the Grand Trunk Pacific there, was not worth very much now.

Witness: No, it is not worth very much; but Mr. Callaghan will tell you more about that than I can.

Mr. Hanes: It is practically worthless.

Mr. Yorston: But I understood you to say that they have something like \$300,000 worth of lands at Williams Lake? A.—Yes.

Q.—Bought from private individuals? A.—Yes.

Q.—From whom did you purchase that? A.—From Borland.

Q.—And Coma Bros.? A.—He bought quite a holding there; there is some 3,000 acres altogether in different lots. He got in one lot 1,440 acres—that was Lot 71; and Lot 72, 318 acres.

Q.—Wouldn't the price be nearer \$30,000 than \$300,000? A.—No, I don't think so. No. I can find out just what the exact price was.

Q.—I am quite sure that it was not worth that. A.—It is pretty valuable land there. Supposing you take 3,000 acres at \$100 an acre, wouldn't that make \$300,000?

Q.—Yes. A.—Well, wouldn't you pay \$100 an acre for that land?

Q.—I don't think so. A.—However, we can give you the exact figures for that.

Mr. Taylor: How much did you pay for the Indian reserve at Squamish? I take it that that is the most valuable piece you have got. How much cash? A.—I think it was about \$250,000.

Q.—And you valued that in this \$2,000,000 at how much? A.—At what we paid for it.

Q.—Just at what you paid for it? A.—Yes; but, of course, we would not sell it for that. For instance, the part that we sold the Railway Company, we charged them \$700,000 for the part that they got, and we think that was a fair price for it.

Mr. Hanes: But you bought the whole thing for \$250,000? A.—Yes; but, of course, we got the foreshore from the Dominion. It is an Indian reserve.

Q.—And what portion of the Indian reserve did you sell to the Railway Company? A.—How many acres would there be in that—do you remember, Mr. Callaghan?

Mr. Callaghan: I could not say as to that. A.—It is in that agreement that I put in yesterday. Forty acres.

Mr. Taylor: How many acres are there in that Indian reserve? A.—1,220.

Q.—And you sold about how many acres? A.—Mr. Callaghan said forty. The most valuable part of that is the foreshore that we got from the Dominion Government.

Q.—How much did that cost you? A.—That cost us about \$10 a foot; but we had to give some very onerous covenants in addition in regard to reclamation.

Q.—What do you mean by onerous covenants? A.—In regard to the reclamation-work.

Q.—That would be passed over to the Railway Company? A.—No, it was not.

Mr. Hanes: Well, what I understand is this: What cost you practically \$300,000 at the most for the 1,200 acres you sold 40 acres to the Railway Company and took their notes for \$800,000 for it? A.—No, we sold them part of the Indian reserve, plus the foreshore.

Q.—For \$700,000? A.—Yes.

Q.—You have 800 or 900 acres left—that is, the Development Company? A.—Oh, yes. We have practically that.

Q.—Why wouldn't it be reasonable on the part of the Development Company to sell the 40 acres to the Pacific Great Eastern Railway at what it cost the firm? A.—We could not say what it cost, because it was a part of the foreshore, and we had to give our covenant to do a certain amount of expenditure within a certain number of years; and we put on that what we considered was a fair price to-day, but we would not sell that holding at any less price than what we charged the Railway Company.

Q.—Who owns the present docks up from Squamish, up to the main line of the Great Eastern? A.—We gave a lease, didn't we?

Mr. Thomas: That is shown in the original agreement also.

Witness: The agreement is on file, Mr. Hanes.

Mr. Hanes: As I understand it, the terminals at Squamish belong to the Terminal Company and not to the Railway Company? A.—No the terminals belong to the Railway Company when they pay their note.

Q.—Yes, but in the meantime it belongs to the Development Company? A.—Yes.

Q.—And the Company would have to pay that \$800,000 in order to get possession of it?

A.—Yes, but that is a fair value of it, too. We won't dispose of any of our holdings at a less figure than that.

The Chairman: Then, Mr. Tate, on that basis your investment of \$2,000,000 was not a very profitable one? A.—Well, we expected, when we took this work on, that we would surely make \$2,000,000 out of our townsite, and that is not as much as the Grand Trunk Pacific made out of theirs.

Mr. Taylor: Well, as to that \$100,000, you asked the Government to pay this and they refused.

Q.—Didn't you ask them to pay that, and all that you got was \$193,000 that Mr. Gamble allowed you? A.—No; Mr. Gamble only allowed us \$180,000.

Q.—But you asked them to pay part of that \$800,000 or all of it? A.—Yes; that the Railway Company wanted for terminals, yes.

Mr. Hanes: And in asking them to pay for that, did you represent to the Government that all the whole thing cost was \$250,000 outside of the foreshore? A.—The Government knows exactly what we paid for that. It is all on record in the Department.

Q.—Just before we leave that, did the Pacific Great Eastern Development Company buy District Lot 261 in North Vancouver? I would ask permission to ask that.

The Chairman: It is not necessary for you to ask permission. It is for any member of the Committee to ask what question he desires.

Mr. Hanes: I want to know whether the Pacific Great Eastern Development Company bought District Lot 864? A.—Is that the old Lonsdale property, the Lonsdale Estate?

Q.—Yes. A.—The Railway Company bought that.

Q.—How much did they pay on that? A.—\$56,000.

Q.—And they have \$100,000 yet to pay? A.—Well, that all depends on how the agreement reads. We bought at a flat rate of \$56,000 on the ground that we would do certain development-work which we have not done so far owing to conditions.

Q.—Have you received word from the Development Company with regard to this? A.—Well, I think I have a letter from the Lonsdale Estate, through their solicitor, and I asked them to let the matter remain until General Stewart returned from the front and until we could get the matter straightened out.

Mr. Maclean: What is that you want?

Mr. Hanes: That is what Mr. Tate offered to produce yesterday.

Witness: There are two agreements, one for the right-of-way and one for the lot you mention.

Mr. Hanes: And that agreement states that if you don't comply with the requirements in it you owe the Company for \$200,000? A.—Yes.

Q.—And where would the Pacific Great Eastern get that money? A.—It would have to be found by the Railway Company.

Q.—Well, as the Railway Company has no stock for sale or no debentures, where would you get it? A.—Well, if you want to buy some of that stock you can.

Mr. Taylor: The Railway Company has no shares. It has parted with all its shares to individuals.

Witness: Well, if Mr. Hanes wants to buy some of this stock, we will sell it to him and apply the proceeds to the payment of the road.

Mr. Taylor: Your assets are mortgaged for \$20,150,000.

Mr. Hanes: Well, I am asking now whether that \$6,000,000 will go for to pay the payment due on Lot 864—the Lonsdale property? A.—It will have to come from the Railway Company or from Foley, Welch & Stewart.

Q.—And where do they expect to get it? A.—Well, we are operating now, and we might make a little more revenue pretty soon if you would give us a chance.

Q.—You say the Railway Company are operating and making money. Is it the Pacific Great Eastern or P. Welch that is operating it? A.—P. Welch.

Q.—Well, why do you say it is the Railway Company? A.—I say the railway is being operated now; I don't want to quibble about it.

Mr. Taylor: But where will you get the money to pay for the Lonsdale Estate? A.—It will have to come from the Railway Company or from Foley, Welch & Stewart.

Q.—And where do they expect to get the money from? A.—From the operation of it.

Mr. Hanes: You expect to get \$100,000 from the operation of it? A.—Yes, and a good deal more than that.

Q.—That is when the line is completed? A.—Yes.

Q.—But until the line is completed the contractor has the privilege of operating it? A.—Yes, and he has to assume the losses.

Mr. Taylor: Where did you get the \$50,000 that you did pay on account? A.—From Foley, Welch & Stewart.

Q.—Out of the \$40,000 you got out of the shares? A.—It was afterwards paid by the Government.

Q.—The Government paid the \$50,000? A.—Yes.

Q.—Now, we have slightly digressed, but it has all been along the same line. There is one other exhibit I want to file, Exhibit 42. In respect to this last exhibit—40 and 41—from Mr.

Tate to Mr. Oliver, dated February 7th, 1917 (reading): "As you are aware, the Pacific Great Eastern Company placed an order some months ago for sufficient steel rails to take its track into Fort George. The mills with whom this order was placed, before proceeding with delivery of steel, are asking for the unconditional guarantee of the firm of Messrs. Foley, Welch & Stewart. This the firm are unwilling to give, and ask instead that the Government furnish its guarantee to be paid out of the proceeds of the loan arranged for last session. Unless payment for the rails is guaranteed by either the firm or by the Government as suggested in this letter, the order will lapse, and we will therefore be unable to secure any further steel this year than that already on hand. Of course, if this order is allowed to lapse, it will entail very serious delay in completing the railroad, as other orders will doubtless have accumulated owing to the great quantities of steel taken out of Canada. On the other hand, it is no doubt true that the price of steel will be very much lower after the termination of the war—possibly in a few months; and it is for yourself or the Executive to decide on what course is preferable—economy in price or economy in time. Approximate amount of order, \$1,250,000."

Mr. Maclean: Is that in that letter?

Mr. Taylor: Yes. That is Exhibit 42.

Mr. Maclean: What date is that?

Mr. Taylor: That is February 7th. Now, that is all I wish to say, Mr. Chairman.

The Chairman: The Secretary says there are one or two letters he has not got up here yet.

The Secretary: Exhibits 40 and 41.

Mr. Maclean: That is a letter from the Honourable John Oliver to Mr. Tate, February 8th, 1917, Exhibit 41.

Mr. Taylor: Now, Mr. Chairman, we have dealt with the \$163,800, and the \$85,521, and the \$5,704,316.50, and the \$1,053,000-odd for interest. Those matters are also largely dealt with in the auditors' report, which I will now ask to have marked. It is numbered Exhibit 36.

(Auditors' report marked "Exhibit 36.")

Mr. Taylor: Referring to that \$250,000 bond, which we discussed this morning, is your Company willing to renew that bond to the Government—that is, the Pacific Great Eastern Railway? A.—We would be willing to procure a new bond for the same amount, but it might not be good policy to renew that particular bond, as there is a certain controversy between Mr. Thomas, representing the Company, and myself. He claims an annual premium on that which I dispute. I say that the liability on that bond is one and indivisible as to whether or not the Company has performed its contract, and not a yearly liability.

Q.—And I take it that your position is the Pacific Great Eastern is willing to place with the Government a new bond pursuant to the Statute for \$250,000? A.—Yes, for the completion of the road.

Q.—You say for the completion of the road. Do you say what time it would propose to do that in? A.—Whatever time the Committee think reasonable—or the Government, rather.

Q.—With regard to the specifications we dealt with yesterday, I want to file this letter as Exhibit 43 from Mr. Tate to F. C. Gamble, dated February 25th, 1913. The gentlemen of the Committee will remember that the contract was entered into with Mr. P. Welch on the 23rd September, 1912. This letter from Mr. Tate to Mr. Gamble reads as follows: "Your file 27 D. In compliance with your letter of the 13th inst., I now enclose copy of specifications under which our road is being constructed.—Yours truly, D'ARCY TATE." A.—Mr. Taylor, in reply to your question of yesterday, I am now able to produce a letter on that subject from our chief engineer to ourselves, dated September 24th, 1912, which I will read if you wish.

Q.—Yes, just file it first. A.—Yes.

(Letter marked "Exhibit 44.")

Q.—You might read it. A.—Yes (reading): "Replying to your letter of the 23rd, I am sending you herewith three copies each of forms of contract and specification. The writer notes that it is contemplated letting the entire line in one contract, which would necessitate additions to our specifications to cover the work of track-laying and other work incidental to the completion of the road. Mr. Callaghan left for Lillooet this morning and will probably not be back for at least a week, but this matter will be put before him immediately on his return. That is signed "John Callaghan, Chief Engineer," by some clerk in his office having authority.

Q.—Would you just mind putting in that letter? A.—Yes.

Mr. Maclean: That is from Callaghan to whom? A.—To myself. It is evidently written in response to a letter from me, of which this is a correct copy, on the 23rd September (reading): "In order that contract may be prepared, please send me three or four copies each of the form of contract and specifications that you have printed. It is contemplated letting the entire line in one contract, including work of every kind whatsoever incidental to the construction of the railway."

Mr. Taylor: Now, this first one that you mention will be Exhibit 44 and the second one Exhibit 45.

The Secretary: Mr. Tate producing them?

Mr. Taylor: Yes; September 24th, 1912, will be Exhibit 44, and the one of September 23rd will be Exhibit 45.

Mr. Taylor: To round that letter up, then we have it in the following shape: On September 23rd, 1912, there was contained in the agreement of P. Welch—that is the executed agreement between him and the Pacific Great Eastern Railway—as a part of clause 1 of the operative part of that agreement, the following words: "And in accordance with the specifications to be settled between the contractor and the chief engineer of the Company within the time required by the said agreement, and for that purpose," etc. On that day that he executed that agreement—on the 23rd September, you wrote to Mr. John Callaghan this letter, Exhibit 45, asking Mr. Callaghan as follows: "In order that contract may be prepared, please send me three or four copies of each of the forms of contract and specifications that you have printed." What forms? "It is contemplated letting the entire line in one contract, including work of every kind whatsoever incidental to the construction of the railway." How would that be written before you had your meeting on September 23rd or after? A.—Now, just let me see.

Q.—I see you had a directors' meeting on that date at which you and Welch and Stewart were present, and you discussed this deal with Welch and you let that contract, and that is the day that Welch resigned his directorship in the Company so that he could take on the contract, wasn't it? A.—Yes.

Q.—Now, would this letter be written to Callaghan before that meeting or after? A.—Well, I could not really say.

Mr. Taylor: Possibly afterwards; but the matter was pretty well understood between us before the meeting that Welch was going to take the contract.

Q.—Well, on the day that Welch got this contract and on the day he resigned so that he could take this contract, you had not even this form of specification before you? A.—Well, evidently I had seen the draft that had been printed, because I know they were printed by that letter. It says: "The forms of contract and specifications that you had printed," so I must have seen that before.

Q.—Well, the specifications that you would have printed would be the forms we all know about it, with dots opposite each item as the unit quantities; for instance, grubbing—it would not be filled in and they would be printed for the purpose of letting contracts to sub-contractors, wouldn't they? A.—No. The printed specifications referred to there are the ones put in yesterday—printed forms.

Q.—The printed forms with no amounts opposite them? A.—No, there was no amount put in after the meeting.

Q.—And on September 24th, 1912—Exhibit 44, which was written in Vancouver—it would reach you on the 25th at the earliest, stating they were sending you, in reply to your letter, so many forms: "I am sending you herewith three copies each of forms of contract and specifications." A.—Yes, that was the form that was settled upon between Callaghan and myself before that, because I knew about it when I wrote the letter of the 23rd.

Q.—But the last paragraph there says: "Mr. Callaghan left for Lillooet and will likely not be back for at least a week, but this matter will be put before him immediately upon his return." A.—Yes, and in the meantime I wanted him to send me the specifications.

Q.—Now, is there anything else you wish to produce with regard to those specifications? A.—No, but Mr. Callaghan may have something more.

Q.—But that contract was not signed on the 23rd September? A.—I don't know, Mr. Hanes; doesn't it show it there?

Q.—Well, you are writing for the forms.

Mr. Maclean: Well, you cannot tell by that.

Witness: I was in Vancouver on the 3rd; and that letter may have been written by Mr. Thomas in my name.

Mr. Hanes: You were in Vancouver on the 23rd September? A.—Yes.

Q.—I thought that was the date of the meeting that was held in Vancouver? A.—Yes.

Mr. Taylor: With reference to the policy of the Railway Company to go ahead, there are certain exhibits I want to file. I want to file a report of Mr. Gamble of the 19th day of January, 1917, to the Honourable Minister of Railways for the information of the Committee I file it for the information of this Committee.

The Chairman: What date is that?

Mr. Taylor: The 19th day of January, 1917.

Mr. Maclean: Well, you have Mr. Gamble here. Why not let him tell the Committee whatever he has to?

Mr. Taylor: Reading as follows—

Mr. Pooley: I understand that you, Mr. Taylor, intend to prove these documents properly later on.

Mr. Taylor: I do not wish to enter into any undertaking now. The Committee has the right to call any person they please.

Mr. Pooley: Well, I do not understand the object of having the documents filed here if they are not properly proved. He can put Mr. Gamble in now.

Mr. Taylor: I think the honourable gentleman is mistaken. I am producing an official document, which has been on the file of the Minister of Railways, filed in due course in their Department, which this Committee should see. It is an official document which should be before this Committee, and that is all I am doing.

Mr. Pooley: That is all right enough, but I say, if you put it in, put it in properly. If you call Mr. Gamble now it will clear the matter up.

Mr. Taylor: I am putting it in properly.

The Chairman: If the Committee are not satisfied with that they can call Mr. Gamble.

Mr. Taylor: The contents is a different thing; as to whether the Committee will agree with it or not, that is another matter. It was not prepared for the purpose of this investigation. It was prepared in due course of work in the Department.

Mr. Maclean: What is it?

Mr. Taylor: This is his report. But I think Mr. Gamble should be called if any of the gentlemen desire him. I do not wish to delay this inquiry any longer than necessary.

Mr. Pooley: Mr. Taylor proposes to put this in now as an exhibit, and if it goes in as an exhibit some one must prove it.

The Chairman: We can simply take it as being a document that was on file in the Department of Railways.

Mr. Pooley: Some one has to produce it. It must be shown that it is correct.

Mr. Taylor: I have no doubt it is correct from Mr. Gamble's standpoint, and he can be called later to verify it.

Mr. Pooley: I do not see why you should quibble about it. Put it in now.

Mr. Hall: Putting it in this way does not prove the substance of it, but it proves what we are anxious to get.

Mr. Pooley: But by this process we are accepting it as an exhibit and it goes down on the record. I say you can put it in and Mr. Gamble can prove it later.

Mr. Taylor: I think Mr. Pooley will see it will be unnecessary to call Mr. Gamble after I read it, but it is proper to file it because it is a document on file in the Department, and this Committee has a right to see everything that is in the Department. It is dated the 19th January, 1917:—

“File 27 D, Pacific Great Eastern Rly.

“Memo. for the Hon. the Minister of Railways.

“From present appearances it does not seem likely that active work on the construction to completion of the Pacific Great Eastern Railway will be resumed before April next, and then only if a sufficient number of men can be obtained. There is a great scarcity of labour at the present time, with but little chance of improved conditions.

"When work is resumed, if monthly payments as the work progresses are to be only of the actual cost thereof, the following staff will be required: One assistant engineer; two clerks in assistant engineer's office who must be familiar with the keeping of accounts; one resident engineer furnished with a rodman who must be competent to compute and check quantities; one trestle-bridge inspector; one steel trestle-bridge inspector; three or four time-keepers, as the work may require.

"The assistant engineer will supervise generally the work and direct the resident engineer and others in their duties. The resident engineer will look after and measure up the work contained in the completion of the grading between Mile 207 from Squamish and Mile 235 from the same point, twenty-eight miles, as well as look after the track and ballasting, the erection of fences, telegraph-line, and the buildings. The calculation of quantities is necessary for the purpose of checking the cost per unit of work.

"As the grading draws to completion the resident engineer will be moved farther up the line and take charge of any incidental work, such as filling in ends of bridges, the erection of bridges, etc.

"The timber required for the trestle bridges will be brought from the Coast, as no local timber will be used, and each bridge will be built as the track reaches the site; therefore one inspector of timber-trestle bridges will be sufficient.

"Three or four time-keepers will probably be needed—two on the grading, one on the train service, and one on the trestle-bridge work, and perhaps another will be necessary if any work is carried on beyond the end of the track. These time-keepers will be under the direction of the assistant engineer and the resident engineer, and will keep an accurate account of the plant, supplies, materials, etc., used in connection with the work chargeable to the actual cost.

"After the gap mentioned between Mile 207 and 235 has been completed, train-work will be the chief means of carrying on construction; that is, track-laying, erection of wooden trestle and steel bridges, and filling in the ends of structures; therefore an accurate account of the train service must be kept. The time-keeper must attend to this. Not only must the cost of train service be accurately ascertained and checked, but also the repairs to rolling-stock and shop-work properly chargeable to the actual cost.

"The inspector of steel bridges will only be needed as each bridge is reached by the track. He will be aided in keeping the time by one of the time-keepers released from the completed work.

"The clerk in the assistant engineer's office should be familiar with accounts. He will receive weekly from the time-keepers their time-books and also reports of materials, plant, supplies, etc., used, and under the direction of the assistant engineer prepare at the end of every month a statement showing the exact cost of the work for the past month. He will also, for the purpose of checking the time turned in by the time-keepers, request the contractor to furnish him with his pay-rolls and accounts for the past month.

"The above is merely an outline of what may be required and is therefore subject to modifications as exigencies of operation." Now I pause there. You see what Mr. Gamble outlines for this Government by way of protection for the Government while your Company is carrying on the construction of that line. None of these men were provided for the work up to date. A.—Well, that was not our fault.

Q.—But I am asking you the fact. I am not blaming you. A.—No.

Q.—And all you say that was done was Mr. Gamble occasionally went over the line? A.—Oh, I say, frequently he did. I would say he went over the line at regular intervals.

Q.—Were you ever along with him when he went over the line? A.—Yes, I think I was.

Q.—You travelled in the train with him? A.—Yes.

Q.—And inspected the line from the back door of the train? A.—Well, I don't know I was ever with him on an inspection trip, but I was on the train with him at different times. Mr. Callaghan could tell you about that.

Mr. Maclean: Or Mr. Gamble.

Mr. Taylor: "Should it be decided to take the work out of the contractor's hands and carry it on as a Government work, a complete construction staff will have to be organized, including engineers, superintendent of construction, foremen, accountants, clerks, buyers, shippers, time-keepers, etc.; in fact such as any contractor will require to carry on his work efficiently.

"Mr. Welch, the present contractor, has such an outfit, and it would be difficult to place a new lot of men in charge without causing serious delay and adding very considerably to the cost.

"Besides the scarcity of labour now prevailing in this Province, the enhanced prices of metal required for the steel bridges will add very considerably to the cost.

"For instance, in the iron and steel markets, to quote from the *Railway Age Gazette*, the railways in the year 1916 were confronted with prices and delivery conditions entirely different from those obtaining during the two preceding years, and further advances in prices were predicted. There were no rapid advances in 1916, but rather a small and steady increase in cost. Structural steel advanced between March, 1915 and 1916, from \$1.15 per 100 lb. to \$2.25, and the price at present is close to \$2.75. Track-spikes, which were worth \$1.35 in March, 1915, had advanced to \$2.50 in March of the following year, and now cost from \$2.65 to \$2.90. Similarly, carbon-steel track-bolts advanced from \$1.25 to \$2.50 and are now quoted at from \$3.25 to \$3.50.

"From the above figures it will be seen that prices have advanced during the past year over 100 per cent. in some instances, and this advance shows no sign of abatement." This is Exhibit 46.

Mr. Shatford: Who was that letter addressed to, Mr. Taylor?

Mr. Taylor: It is a memo. for the Honourable Minister of Railways.

Witness: Mr. Thomas points out, in regard to that letter of Mr. Gamble's, that the staff as recommended by Mr. Gamble contemplates the work was being done on a first-hand basis, and, of course, the work by P. Welch was not done that way. It was done on a force account basis.

The Chairman: What basis? A.—Force account basis.

Mr. Hanes: Well, that is a matter for Mr. Gamble to tell us about.

Mr. Taylor: I would think that is correct, but I do not see what point you make out of that.

Mr. Hanes: I differ with Mr. Tate on that.

Mr. Maclean: I would think it would require a very much closer inspection to look after force account work than it would be the way it is suggested there.

Mr. Taylor: You mean the first part of that letter there? A.—Yes.

Q.—No, surely not. That refers to the contractor. The first part says: "When work is resumed the monthly payments as the work progresses are to be only of the actual cost thereof, the following staff will be required." A.—The first part says the work is not to be done at the actual cost.

Q.—Let me see that letter again.

Mr. Maclean: You can have a contractor to do it at the actual cost.

Witness: It is equivalent to a force account basis.

Mr. Taylor: Well, I do not see where you get that idea from. I do not think you are right there. A.—He says there in the first part of the letter.

Q.—Well, let me see the first part of the letter. He says: "From present appearances it does not seem likely that active work on the construction to completion of the Pacific Great Eastern Railway will be resumed before April next, and then only if a sufficient number of men can be obtained. There is a great scarcity of labour at the present, with but little chance of improved conditions. When work is resumed, if monthly payments as the work progresses are to be only at the actual cost thereof, the following staff will be required." A.—Yes, that is the point; it is a force account.

The Chairman: The engineer means there if they are going to strictly adhere to the terms of the Statute.

Mr. Taylor: Yes, certainly; he does not mean a force account. It means that P. Welch is going to be held down to the actual cost. A.—No, that is not right; they propose that P. Welch was going to do it at the actual cost, and Mr. Gamble says if it can be done at the actual cost.

Mr. Taylor: In which letter did Mr. Gamble say that? A.—In Mr. Oliver's first letter to me in which he agrees to pay the bank interest and pay the estimates for October, November, and December, and after the 1st January the work was to be done at the actual cost without any regard to any existing contract between P. Welch and the existing Railway Company.

Q.—But it is not being done that way? A.—Yes.

Q.—On force account? A.—Yes; the wording in that railway contract—between the Government and P. Welch.

The Chairman: Well, we had better adjourn now and that can be taken up later.

Mr. Taylor: Until 8.30.

The Chairman: Yes.

Mr. Taylor: And we will go on with Mr. Tate this evening.

Session adjourned until 8.30 p.m., March 21st, 1917.

SIXTH SESSION.

WEDNESDAY, March 21st, 1917.

The meeting of the Commission of Inquiry herein met pursuant to adjournment at 8.30 p.m.

Present Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, W. R. Ross, L. W. Shatford, R. H. Pooley; H. S. Taylor, K.C., appearing as counsel herein for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing for the Pacific Great Eastern; J. N. Ellis, Esq., appearing for Messrs. Foley, Welch & Stewart.

D'Arcy Rupert Tate, witness on the stand.

The Chairman: We will have the minutes of the last two meetings read, and get this cleared up.

(Minutes read by Secretary.)

The Chairman: If there is no change in the minutes they will stand as read.

Mr. Taylor: Mr. Chairman, I will file certificates from the Finance Department. You will find that these certificates contain the Orders in Council, and the requisition or certificates of the Minister of Finance to the bank.

Mr. Maclean: You are putting them all in as one exhibit?

Mr. Taylor: Yes.

Mr. Maclean: What are those certificates? Is that what the cheques issue on?

Mr. Taylor: Yes.

Mr. Maclean: Are the cheques attached to them?

Mr. Taylor: No, the cheques are not attached. They are in the inverse order of the others that I filed. Take that first one that you remember I filed this morning—\$46,821.45, as being produced from the Department of Railways. Now, that would appear this way: This is the Minister of Finance's memorandum. There is a memorandum from him to the Lieutenant-Governor-in-Council; an account in brief; and the Order in Council, and Mr. Gamble's letter. That will be the order that will be followed all the way through. When you come to 25 and 26 you will also note what Mr. Gamble says to the Minister of Finance in dealing with those two certificates. I think that is all I need to say in regard to the matter.

Mr. Maclean: Are there copies of the other two—the letters and the estimates? Are there copies of the letters with the estimates?

Mr. Taylor: No, but they are to the same purport—but not copies.

Mr. Maclean: To the same effect?

Mr. Taylor: Yes. Will you file this? That will be Exhibit 45.

Mr. Maclean: How many are there?

Mr. Taylor: One to 41, I presume. There should be 1 to 41.

(Document marked "Exhibit 47.")

Mr. Taylor: I now file the certificates in respect of the payment made out of the \$6,000,000 loan pursuant to the Act of 1916.

Mr. Maclean: Has there been only one payment on that loan?

Mr. Taylor: Six of them. That is my recollection—six payments.

Mr. Maclean: How many out of this \$6,000,000 loan?

Witness: Three.

Mr. Taylor: There have been six, haven't there? A.—Oh, yes.

Q.—Three under the present Government and three under the old one? A.—Yes, six; yes.

Q.—What I have here is not in as concise shape as it is elsewhere. I imagine that these are not the ones from the Department of Railways, and I will produce theirs. These are the Department of Finance, I think.

The Secretary: These are the Department of Finance, too.

Mr. Taylor: This \$6,000,000 bundle is apparently from the Department of Finance.

Mr. Maclean: Well, 47—those were from the Department of Finance, weren't they?

Mr. Taylor: Yes, 47 is a duplicate of the Department of Finance, of what I filed this morning—1 to 41—except that it contains the Orders in Council and the certificates of the Minister of Finance to the bank, and Mr. Gamble's letter, couched in somewhat different language in each instance. Mr. Hanes wants to ask a question, I think.

Mr. Hanes: Mr. Tate, I asked you this morning or yesterday if the Pacific Great Eastern Development Company had purchased any lands from the Government? A.—Yes.

Q.—What was your answer? A.—Not that I know of.

Q.—Isn't it a fact that the Pacific Great Eastern Development Company applied on September 10th, 1913, for 145 acres of land at Williams Lake, known as District Lot 7046?

A.—At what lake?

Q.—At Williams Lake, and that it was paid for on September 17th, 1913, and the Crown grant issued on November 11th, 1915, to the Pacific Great Eastern Development Company; the Company thereby purchasing the land for approximately \$7 an acre? A.—What lot did you say?

Q.—District Lot 7046? A.—Yes, we have got that one.

Q.—At a cost approximately of \$7 an acre. A.—I don't know about that, but we have got that, though; but that was all part and parcel of the same deal with Borland. I think Borland had applied for that, and instead of Borland taking the Crown grant, I think we got it—but our agreement of sale was with the owner of the lands there; but Mr. Renwick will tell you all about that.

Mr. Taylor: That is part of the property you valued at \$300,000? A.—Yes.

Mr. Hanes: Is it not in the agreement that the Development Company has with the Railway Company that the Development Company are charging the Government \$1,000 an acre? A.—If the agreement says so.

Q.—Land that the Development Company bought from the Government at \$1 an acre?

A.—Well, we bought that to sell at a profit.

Q.—Well, isn't it a fact that the Statute provides that the Railway Company would be given a free right-of-way through Crown lands? A.—Yes, but those are not Crown lands.

Q.—Well, I would ask to have those papers produced, because this application was filed on September 10th, 1913. A.—Well, we will have all the papers produced. You do not have to ask the Chairman for that. Anything that we can produce we will be only too glad to.

Q.—Well, the only reason I asked you that question was because you said you did not get any land from the Government. A.—I still say so. We could not get any vacant land—

Q.—I will ask you this again: The Development Company bought 145 acres from the Government for \$1,070, didn't they—known as Lot 7046? A.—Yes. There is no doubt about the facts at all. We are not trying to evade them. You would think we were trying to steal something, and we are not. The record is all there. Mr. Taylor, you were asking me this morning to try and fix that date of the interview with McBride and Bowser.

Mr. Taylor: That was with respect to your privilege to draw the full amount of your estimates, and not the proportionate amount? A.—Well, I did not use the word "privilege" to continue drawing.

Q.—Well, I call it a privilege. A.—Well, it was just to continue the practice. As near as I can judge, I would say that the interview was in the spring of 1914, because on referring to the force of men that we had on the work there I find it was about 3,500 men, and it was afterwards increased in the succeeding months to 6,500 men; and another reason I have for fixing it at that time was that Sir Richard McBride went to the Old Country in the fall. The difficulty that we had with our estimates in the fall was that Mr. Bowser was Acting-Premier, and the difficulty was attributed by Mr. Gamble to that (and I think by Mr. Bowser, too), to

the Governor's reluctance to sign the certificate on the ground that the Company had been over-paid under that section, and I have some telegrams that fix that in my mind.

Q.—Well, if there is anything you wish to file, do so. A.—I don't wish to put it in specially.

Mr. Maclean: When do you say it took place? A.—In the spring of 1914.

Mr. Taylor: You are fixing that as the spring of 1914 because you have looked at the records and find the force was increased from somewhere around 3,000 to 6,000? A.—Yes.

Q.—And is that the only thing you attach it to? A.—And McBride was present there, so he could not be in the Old Country.

Q.—Well, are those the only two facts you use in fixing that date? A.—That is only my impression, and I cannot go any stronger than that, and this Estimate No. 26 was the one Mr. Gamble was making all the difficulty about.

Q.—Well, I may tell you that Estimates 25 and 26 are the only ones that Mr. Gamble has put himself on record in writing in respect of as showing up the lack of following the proportions. A.—Yes.

Q.—The idea of proportions as established by the Statute, and it was practically so interpreted by him that those proportions should be observed? A.—Well, answering the Chairman's question about that before he asked me if I placed any legal interpretation on that, my letter to Mr. Gamble on the 26th October would show that we did it on the pure question of expediency.

Q.—On what date? A.—The 26th October. Shall I read it?

Q.—Will you take it out of your file and I will file it?

Mr. Pooley: What year is that?

Mr. Maclean: The 26th October, 1914. It is *re* Estimate No. 26.

Mr. Taylor: It is dated October 26th, 1914, and it will be Exhibit 49. Apparently it is not signed, but it is from Mr. Tate. A.—It is a carbon copy.

Q.—Yes, I will just put your name here—Vice-President. It is addressed to F. C. Gamble, Chief Engineer, Department of Railways: "Referring to our progress Estimate No. 26 for the month of September, that is still awaiting the signature of His Honour the Lieutenant-Governor, and the question raised by him as to the volume of unfinished work and the amount of funds available for its completion:—

"First, I beg to advise that upon clear representations made to the Government at Ottawa as to the position of the Company and its inability to raise money now on account of the German war, appreciating the disastrous effect a temporary suspension of our work would have on the prosperity of the whole community and upon the credit of the country at large, the Federal Government came to our assistance, assuring us sufficient funds for the continuance of the work.

"Answering the point raised by His Honour in regard to the balance of moneys necessary for the completion of the line beyond the proceeds of the sale of guaranteed securities, I beg to assure you that these will be forthcoming when required. The work is being conducted in the most economical manner with a view to a complete utilization of the whole line on the date set in our agreement with the Government, and to ensure this the Company has furnished security to the satisfaction of the Government as provided by the said agreement.

"To raise in any manner howsoever the entire funds necessary for the purposes of a large undertaking before the commencement of the work would result in adding an unnecessary burden of interest to its cost. Such financing would prejudice the undertaking from the start and increase the cost at which any money would be available, if, indeed, a firm of underwriters could be found who would identify themselves with such ill-advised operations.

"With the assistance of the Government's guarantee we were enabled to raise funds at a cost of slightly under 5 per cent. It must be evident that, without this support in the money market even under normal conditions, such money would have cost us not less than 6 per cent. Assuming that to complete the line the Company will have to find \$8,000,000 after exhausting the proceeds of the guaranteed stock issues, to have obtained this money at the commencement of the work at, say, 6 per cent. would have resulted for the two and a half years it was not required in an added interest charge of \$1,200,000 without benefiting any one.—Vice-President." Now, Mr. Tate, with all respect to you, that is a letter written as late as October 26th, 1914, after the war commenced. A.—Yes.

Q.—Which plainly advises the Government of your financial responsibility and ability to raise the necessary \$8,000,000, the minute it is required when the guarantee funds were

exhausted? A.—Well, we expected to be able to at that time. That is dealing with Estimate No. 26.

Q.—And that was written six months afterward, the time that this bread-line was formed in Vancouver that you spoke about this morning, when you say that you increased your staff to relieve the bread-line? A.—Yes, I fixed that to the best of my recollection.

Q.—You spoke this morning of the stringent financial condition—so stringent that there was a bread-line in Vancouver? A.—Yes, that was in the spring.

Q.—You now fixed that date as the spring of 1914 and you write this letter in October, 1914, six months afterwards, plainly asking the Government to hand out these guaranteed moneys because you would be ready to finance your \$8,000,000? A.—Well, we were really answering that.

Q.—Was this a *bona-fide* letter? A.—Oh, certainly. That is hardly a fair question.

Q.—Well, I say in view of your other answer? A.—Oh, yes, absolutely *bona fide*.

Q.—Were you then in a position to raise the \$8,000,000 then required, when you had exhausted your guarantee funds? A.—Yes. I was instructed by Mr. Stewart that the money—as a matter of fact, he would then be able to raise the necessary funds.

Q.—But you have not raised any? A.—No.

Q.—Six months after this bread-line was so great owing to the financial stringency—what happened that has prevented you from raising the money? A.—Well, times and conditions have got very much worse. Why, it is practically impossible, as far as money is concerned, to raise it.

Q.—In England? A.—Yes.

Q.—And in the United States? A.—In the United States.

Q.—You mean to say you could not raise it in the United States, where there is such abundance of money? A.—No, unless it was at a prohibitive rate of interest.

Q.—You do not pretend to say there has been a stringency of money in Canada for the last few years? A.—Yes; for loaning purposes, I do.

Q.—Well, anyway, that is your letter. I will file that as Exhibit 49.

The Chairman: What month was it you increased your force? A.—It commenced to be increased in May. The force in April was 3,500 men; in May, 5,500; and June, 6,500; and July, 6,500. There is a letter to Mr. Bowser on the same subject, on Estimate No. 26, which was eventually released—released on the 28th October. That is as to \$750,000. It is a telegram.

Mr. Pooley: What is the date of that?

Mr. Taylor: It is October 27th, 1914, addressed to the “Honourable W. J. Bowser, Attorney-General, Victoria, B.C.,” and reads as follows: “Work is on verge of shutting down, and unless estimate is paid to-day I cannot possibly hold the situation any longer. This month’s bills all overdue and men clamouring for their wages. Of course, you understand if camps disbanded now work cannot resume this winter. It is matter of hours here now until result is reached one way or the other. You will also understand that if these 6,000 men are turned loose it will be without payment of their wages, and you can imagine the trouble that will ensue. In view of fact that I am alone now, with Welch and Stewart both absent, please endeavour to relieve situation.”

Q.—That was sent from Vancouver; did that produce the money? A.—We got the \$750,000 from the Government on October 28th.

Q.—What is the date of that? A.—Certificate No. 26, and then we got the balance of it some time later.

Q.—Now under Certificate No. 29 you got moneys for certain things—an interest payment, did you not? Is that the certificate which you got the interest payment of \$602,261.30? A.—I don’t know.

Q.—No, it could not have been. In what certificate was there included \$602,261.30? A.—In none.

Mr. Thomas: In no single certificate?

Mr. Taylor: Or divided in several certificates?

Mr. Thomas: You are asking just for information now, Mr. Taylor?

Mr. Taylor: Yes. I find in that connection a memo. from Mr. Gamble to the Honourable Minister of Railways. It will be Exhibit 51. It is dated January 30th, 1917:—

"Memo. for the Hon. the Minister of Railways."

"The sum allowed for interest and exchange, amounting to \$602,261.30, was deducted from the estimates, as follows:—

" Estimate No. 29, month of December, 1914.....	\$150,000 00
" 30, " January, 1915.....	150,000 00
" 31, " February, 1915.....	150,000 00
" 32, " March, 1915.....	152,261 30
	\$602,261 30 "

The Chairman: What do you mean by deducted?

Mr. Taylor: It was taken up and ruled that the interest should never have been paid on these estimates, and then they proceeded to deduct it after the date of that ruling. That is correct, isn't it?

Witness: Yes.

The Chairman: Deducted when?

Mr. Taylor: It was taken up by the Government.

Mr. Maclean: Was this interest on the estimates because they had not been paid when presented? Was that it?

Mr. Taylor: What was that interest paid for—on the bond? A.—Yes, on the bond.

Q.—The Pacific Great Eastern Railway had paid interest on the bonds, and from time to time they paid it, and they presented to the Government, amongst their working expenses, this interest item, and got it paid out of the guarantee funds. In other words, the guarantee funds were paying its own interest out of the principal. A.—Which is quite proper.

Q.—Out of its principal? Now, the Government took that certificate up, Certificate No. 29, somewhere about that time and ruled it was an improper thing to do, and made the Great Eastern Railway return those moneys by the process worked out in the last exhibit—namely, to deduct it from the following certificates so that the matter was squared.

The Chairman: Well, I see that this interest has been paid some time previous? A.—Yes, it was paid by our fiscal agents in London out of the proceeds of the bonds in their hands.

Mr. Hanes: Has that interest still been paid out of the proceeds of the bonds? A.—No, not since that time. The Government has paid the interest since.

Mr. Maclean: You say it was deducted in London? A.—Yes.

The Chairman: That is, when the money was paid into the bank here there was this \$600,000 of a shortage? A.—Yes.

Mr. Taylor: I have now the Treasury file respecting the \$6,000,000, showing the payments paid out, and so that, Mr. Chairman, you and the other gentlemen of the Committee will have it concisely in mind, I will read the amounts. In August, 1916, there was paid as a first estimate out of that loan, \$439,236.49: The Order in Council and the certificate of the Minister of Finance is attached. That is No. 1 and No. 2. The 19th September, 1916, there was paid \$70,390.55. On the 12th October, 1916, there was paid \$240,062.29. That is Certificate No. 3. And under the present Government there was paid—those were all paid under the old Government. Under the present Government there was paid in December, 1916, \$67,116.15.

Mr. Maclean: Now, were those payments made on estimates?

Mr. Taylor: On estimates, yes.

Mr. Maclean: And were those estimates paid in full?

Mr. Taylor: No.

Mr. Maclean: What deductions were there?

Mr. Taylor: Oh, there were some very heavy deductions by the present Government, and none by the old Government.

Mr. Maclean: Did they do it according to some proportion or for some other reason?

Mr. Taylor: Well, apparently because they would not pass the items.

Mr. Maclean: No proportionate deduction.

Mr. Taylor: This is not a question of proportion. I am now dealing with the "Loan Act."

Mr. Maclean: Doesn't that come under a question of proportion?

Mr. Taylor: No. If you will look at the "Loan Act" you will see that I am correct.

Witness: Those estimates of October, November, and December were paid just the same as the old ones, according to my arrangements with the Minister, but it was in January that the new arrangements took place.

Mr. Taylor: On January 19th, 1917—this is the second one of the present Government, for \$74,145.34. The next one, February 8th, 1916, \$64,548.14. I don't know whether that has been passed or not. Has this March one been passed, Mr. Tate? A.—March of this year?

Q.—Yes. A.—Oh, no.

Q.—It has not been passed yet? A.—No, we have got nothing for this year's work.

Q.—And you did not even get this one for February? A.—No. I did not know they were in.

Q.—Did you get the estimate of \$74,145.00 in January? A.—Yes. We got October, November, and December from the new Government, and we have not filed anything yet for this year. We have had nothing for this year.

Q.—But you have? A.—October, November, and December.

Mr. Thomas: I have put no accounts in for the first of the year.

Mr. Taylor: But those are in.

Witness: But those are not from us; we filed none.

Mr. Maclean: That is Exhibit 52.

Mr. Taylor: It is part of the old exhibit.

The Secretary: No, that is an old exhibit, part of Exhibit 47.

Mr. Taylor: 47. There is another matter I wish to clear up.

Mr. Maclean: What happened to Exhibit 52; you have not Exhibit 52?

Mr. Taylor: Not yet.

Mr. Maclean: Oh, I thought it was a new exhibit.

Witness: Mr. Taylor, will I put in another letter about the delay of payment of estimates? You were saying this morning they were all paid punctually.

Mr. Taylor: Yes. A.—This is May 20th, 1915.

Mr. Maclean: The 20th May, 1915.

Mr. Pooley: What was that last exhibit?

The Secretary: It was a memo. to the Honourable Minister of Railways from F. C. Gamble.

Mr. Pooley: No, but the one Mr. Taylor is reading.

Mr. Taylor: Part of Exhibit 47. They were mixed in with the guarantee security exhibits, and Mr. Bullock has kindly selected them and got them separated. This is Exhibit 52. It is from Mr. Tate as Vice-President to the Honourable Thomas Taylor, Minister of Railways, dated May 20th, 1915. I am filing it at Mr. Tate's request:—

“Referring to my attendance before the Executive Council yesterday, when I failed to obtain Order in Council releasing an interim payment on account of the money recently placed to the credit of the Pacific Great Eastern Railway in the Union Bank at Vancouver, I beg to say that the action of the Government in withholding payment is working considerable hardship upon the contractor and the Company so far as relates to the resumption of work, not to mention the inconvenience occasioned to the public through interposing unnecessary delay to carrying the track into the Cariboo country. There is also the fact we are now under a daily charge for interest by the bank amounting to \$380.

“Mr. Stewart has been working continuously for the past two months in securing these funds from the bank, and to have our hands tied after the money has been made available for construction purposes seems unreasonable, to put it mildly. Whatever the objection may be to the Company obtaining immediate payment from these funds, it does not rest with the Company or the contractor, as the January estimate, amounting to \$740,523.43, was filed with the Government three months ago, and the February estimate, amounting to \$404,491.96, was filed over two months ago. I think we should be in a position to count upon the co-operation of the Government so far as it can be consistently given in furthering the prosecution of our work during these abnormal times.

“Furthermore, I might point out that there has been retained from the contractor's estimates to March 31st the sum of \$1,525,285.72, and this without any statutory or contractual authority. I do not wish to be understood as writing you in any contentious spirit, but Mr. Welch simply advises me that if he is to be hampered in this way without any reason so far as he can see, he will simply shut down the work *in toto* without further controversy and

state his reason for doing so." Did that bring the money? A.—I guess it brought it after some further delay, but it was not so easy as you were trying to make out this morning.

Q.—Now, I wish to file a contract, or at least to produce a contract which I overlooked, and you did apparently, too, dated the 16th day of March, 1914, between Foley, Welch & Stewart of the first part and the Great Eastern Pacific Railway of the second part. Have you the original? I will file a copy if you wish. A.—Yes, very well.

Q.—It is a copy which you furnished the Department.

Mr. Maclean: Get the original; I am afraid of these copies.

Mr. Taylor: It is a copy which Mr. Tate furnished himself.

Mr. Maclean: I would prefer to have the original.

Mr. Taylor: It is a copy furnished by Mr. Tate.

Mr. Maclean: Yes, but there was a copy furnished you in good faith this morning, and it was wrong. I have had so much experience of copies not being copies I would prefer to have the original.

Mr. Taylor: It is about the \$60,000. Whilst they are finding it, probably I had better read this and then you can file it later. This will be Exhibit 53, will it not?

The Secretary: Yes.

Mr. Taylor: This is a memorandum entered into the 6th day of March, 1914, between Foley, Welch & Stewart of the first part and the P.G.E. of the second part.

(Agreement read and marked as "Exhibit 53.")

Now, Mr. Tate, that last paragraph there is with reference to the \$60,000 balance of the \$100,000 which was the only subscription made in the Pacific Great Eastern Railway? A.—Yes.

Q.—\$40,000 of which was paid and \$60,000 was left unpaid, and here it is declared fully paid up? A.—Yes.

Q.—But you never did get an Act authorizing this agreement, did you? A.—No.

Mr. Maclean: Well, that Peace River extension never went on.

Mr. Taylor: Oh, yes, it did.

Q.—You never did get the \$40,000,000 capitalization authorized? A.—Oh, yes, we got that.

Q.—By an Act? A.—No, it was authorized, because our certificates were changed.

Q.—Would you produce that authorization? A.—Authorized capital, \$40,000,000.

Q.—Authorized by the Minister? A.—By Order in Council.

Q.—Have you got a copy of the Order in Council? A.—Yes, I suppose we have.

Q.—Have you got it here? A.—We will produce that. You see, our debentures read "Authorized capital, \$40,000,000."

Q.—Have you issued the 50,000,000 shares to Foley, Welch & Stewart? A.—No, that is still in the treasury. Will you put the copy in?

Q.—Well, probably you had better file the original; it has the two together here, I see.

Mr. Maclean: What is the one that is attached to it?

Mr. Taylor: Mine is only a fourth of what the other one is. The one attached is the agreement between Foley, Welch & Stewart and the Pacific Great Eastern. No, that is a duplicate.

Mr. Maclean: Well, put the whole thing.

Mr. Taylor: Yes, there are two copies of 52 here. The one attached is between His Majesty the King of the first part, Foley, Welch & Stewart of the second part, and the Pacific Great Eastern of the third part. It is an agreement for the extension of the road. The Government, however, never executed this attached agreement, did they? A.—No, I think that was just settled *ex opinione*.

Q.—And it was never executed? A.—That is my recollection.

Q.—Well, then, we had better file this one as Exhibit 53 that you produced.

(Document marked "Exhibit 53.")

Q.—I next produce your draft Bill supplied, as you said this morning, to Mr. Pattullo. I have it now from his Department. Now, that draft Bill will be Exhibit 54. Attached thereto is the agreement for the purchase of the Indian reserve from the Province between the Pacific Great Eastern Railway and His Majesty the King, represented by the Honourable W. R. Ross. How much did you pay the Dominion Government for the rights in that Indian reserve? How much did your Company pay the Dominion Government? A.—I don't think we paid the Dominion Government anything. We paid the Indians.

Q.—How much did you pay the Indians? How much did you pay the Indians? A.—We are just looking it up.

Q.—Approximately, how much? A.—Well, I have it in mind about \$250,000.

Q.—To the Indians? A.—Well, I don't really know definitely, I cannot speak definitely at this date; but I think we paid out nothing except what we paid to the Indians.

Q.—You paid nothing to the Dominion Government? A.—I don't think so, but, of course, that is subject to correction.

Q.—How much did you pay the Province? A.—We paid the Province about \$25,000, I think.

Q.—And you can show what you paid the Indians? A.—Yes.

Q.—You can do that just now? A.—Yes.

Mr. Maclean: That is for the Province's reversionary rights in the land.

Mr. Taylor: This draft Bill is to ratify an agreement with the Province whereby they purchase 900 acres odd in several of these Indian reserves. They have strange names, so I will not read them. They amount to 988 acres—988.33, for \$25,000, and another reserve of 154 acres. So that whatever it cost was the \$25,000 plus what you paid to the Indians? A.—Yes.

(Draft Bill marked "Exhibit 54.")

Mr. Maclean: For the reversionary rights.

Mr. Taylor: And out of that you sold the 40 acres that you referred to to the Pacific Great Eastern Development Company? A.—To the Railway Company.

Q.—To the Pacific Great Eastern Railway? A.—Yes.

Q.—For \$850,000? A.—That was the way Mr. Hanes put that question and it is incorrect. We sold that plus the foreshore.

Q.—Now, was that Crown grant foreshore or simply a lease? A.—No, we have got a lease from the Dominion.

Q.—It was not a Crown grant, only a lease? A.—They don't issue Crown grants any more.

Q.—Did you sell this lease or simply sublease this lease for this \$850,000? A.—We gave them the same title we had.

Q.—You transferred the lease? A.—It is a renewable lease.

Q.—How much foreshore is included in that transfer of lease? A.—That agreement that I filed will show that.

Q.—How much was allowed out of that amount for the foreshore that you have spoken of? A.—I could not say; there was a lump sum for the foreshore and land.

Q.—A lump sum for the foreshore and a lump sum for the land? A.—No, for the whole thing.

Q.—Are you able to say, as one of the executive officers of the Company purchasing, how much was allowed for the foreshore rights out of the \$850,000? A.—No, there was no distribution made out of that. Mr. Callaghan simply gave us a plan of what he thought was required for railway purposes, and we put a price on that that we considered reasonable.

Q.—Can't you tell us how you figured the value of the foreshore and the land? A.—No; we did not figure them separately.

Q.—But you would figure them separately as a wise purchaser? A.—No; because the land was to be used in its entirety.

Mr. Hanes: Didn't you say the Railway Company was buying so much foreshore at Squamish? A.—No.

Q.—Didn't you say the Railway Company bought 40 acres of this foreshore? A.—No, I did not say that; I say the Railway Company bought whatever is shown in the agreement that is filed.

Q.—Wasn't it, as a matter of fact, 134 acres? A.—I don't know. Mr. Callaghan told me 40 acres; but you have the agreement there and you heard him say that, I think, this morning.

Q.—Wasn't it 134 acres, making a total of \$672,500? A.—Well, refer to the agreement and see.

Mr. Maclean: Where do you get your figures from; the agreement?

Mr. Hanes: Yes. I was just correcting his statement of 40 acres.

Witness: Mr. Callaghan said 40 acres and I was just repeating his statement.

Mr. Taylor: I will file also the letter that I read of January 29th, 1917. It is the distribution of the shares of the Pacific Great Eastern Railway as reported by Mr. Tate to Mr. Oliver.

Mr. Maclean: This is a letter, is it?

Mr. Taylor: A letter addressed by Mr. Tate to Mr. Oliver showing the distribution of the shares. I read it into the evidence a day or so ago. That will be what exhibit?

The Secretary: Exhibit 55.

(Letter marked "Exhibit 55.")

Mr. Maclean: That is the distribution of the shares in the Pacific Great Eastern?

Mr. Taylor: Yes, the Pacific Great Eastern Railway. I produce at this stage from the Department of Railways the report of R. W. McIntyre, assistant engineer, I presume of the Government—was he not at that time? A.—Well, he took the place of Mr. Kennedy. He succeeded Mr. Kennedy as the engineer under the "Loan Act."

Q.—I beg your pardon? A.—As the engineer under the "Loan Act."

Q.—R. W. McIntyre? A.—Yes.

Q.—This is dated the 6th day of January, 1917, and it is a report on the railway, which may be of advantage to the Committee. It is put in for the same purpose as the other report I filed this morning—the 6th day of January, 1917; it will be Exhibit 56.

(Report read and filed as Exhibit 56.)

Q.—And the sketch is attached. I will also file a report of Mr. A. H. Sperry, general manager of the Railway Company, as to its earning capacity, etc., and attached to that is a letter of Mr. Gamble's to the Honourable Minister of Railways dated the 13th day of December, 1916. If you please, I will file them both together.

Mr. Maclean: Did you say that man's name was Turner?

Mr. Taylor: Sperry. I will read the memo. of Mr. F. C. Gamble to the Minister of Railways. (Reads same.)

Q.—I don't think it is necessary to read Mr. Sperry's report.

Mr. Maclean: What is the date of it?

Mr. Taylor: 11th December, 1916, addressed to Mr. Gamble; but if the Committee desires to know Mr. Sperry's account of what he wrote, I will read it.

Mr. Maclean: If there is anything important in the report it might be well to read it.

Mr. Taylor: If you want it read, very well.

Mr. Maclean: Take that last report of McIntyre's, it was a very interesting report. It shows there was a shortage of labour at that time.

Mr. Taylor: Yes, apparently so, and it will probably save time in the long run. (Reads report as filed.)

Mr. Taylor: I file also Mr. Gamble's letter of the 30th January, 1917—a memo., rather, to the Hon. the Minister. Exhibit 58 that will be.

Mr. Maclean: Minister of Railways?

Mr. Taylor: Yes, the Minister of Railways; with the request of the Minister attached, and with the answer or report of Mr. D'Arcy Tate to the Hon. the Minister, dated 8th February, 1917, also attached. And Mr. Gamble's memo. to the Minister dated 30th January, 1917, Exhibit 58. Attached to part of Exhibit 58, letter of the Hon. the Minister, request of Mr. Gamble dated the 29th January, 1917. Mr. Tate's letter of February 8th, 1917, attached, to the Hon. the Minister. I have to file also memo., Exhibit 59. The memo. of January 29th, 1917, R. W. McIntyre, Assistant Engineer, to the Hon. Minister.

Witness (Mr. Tate): Perhaps I might mention, Mr. Taylor, you asked me if I would state to what extent the Company were prepared and able to finish the road.

Q.—Yes? A.—At a recent interview I had with the Prime Minister and the Minister of Railways, they asked me the same question, and I answered verbally; and Mr. Bréwster asked me to put it in writing, and I put it in writing, that day; but afterwards, I thought that the Minister of Railways' attitude was somewhat antagonistic, and so I never delivered the letter. I have it here now.

Q.—Do you desire to deliver it now to this Committee? A.—Yes.

Q.—Do you wish it now to have the effect, the same effect, as if it had been delivered to the Hon. Minister? A.—Yes, I do.

Q.—This will be Exhibit 60. This is a letter, an undelivered letter, of February 10th, 1917, signed by D'Arcy Tate as Vice-President, directed to the Hon. the Minister, Hon. John Oliver; that really could take the present date, I suppose? A.—Yes.

Q.—However, that must stand as presented. (Letter read.) That letter, of course, and the statement of facts therein contained are, and were then on the 10th of February, 1917, true in fact? A.—Yes, to the best of my knowledge.

Q.—And it was true then that Foley, Welch & Stewart were unable to finance the road? A.—Those are my instructions from the firm.

Q.—And it was true then and at the present time that this clause—the plant and equipment of Foley, Welch & Stewart are being utilized for the completion of the railway under the direction of Mr. P. Welch; that is true? A.—Yes.

Q.—And that would be a true statement as to Mr. P. Welch's contract, that it is really a contract of Foley, Welch & Stewart? A.—Oh, I don't know; I do not really care how you put it, Mr. Taylor.

Q.—Do you say that the plant of Foley, Welch & Stewart is being utilized under the direction of Mr. P. Welch? I notice throughout this letter that you do not say the P.G.E.R. will complete the work, but you speak throughout for the firm of Foley, Welch & Stewart? A.—Oh, no; I mean the Railway Company; I am speaking as a vice-president of the Railway Company; I was trying to discuss the matter as I had done with the Prime Minister and the Minister of Railways.

Q.—Throughout it is a letter on behalf of Foley, Welch & Stewart; and then it is not true, as was suggested, and not a correct position, as suggested, that you are not in a position to speak for Foley, Welch & Stewart? A.—To this extent I was in a position to speak.

Q.—Although you are vice-president of the P.G. Eastern Railway? A.—In what way?

Q.—You are not only writing as vice-president, but you are also in a position to speak for Foley, Welch & Stewart? A.—Well, to that extent.

Q.—That is a very large extent, if I might say so. A.—Well, those are my instructions from Foley, Welch & Stewart.

Mr. Pooley: That is Exhibit No. 60?

The Chairman: Mr. Tate, is the relationship between P. Welch and Foley, Welch & Stewart as to the construction of the road the same now as it was throughout the construction? A.—Yes.

Mr. Taylor: It has always been the same, as you have outlined in that letter? A.—I have not outlined it.

Q.—As you have spoken of it in that letter; you have told me that the letter is a true statement of facts? A.—No question about it.

Q.—It refers to it, you know? A.—Well, don't put words into my mouth.

Q.—I am referring to the letter. A.—You can ask Mr. Welch himself what his relations are with the firm of Foley, Welch & Stewart; I could not speak about those.

Q.—Why should we have any difficulty with that phase of the situation? A.—What is the question?

Q.—If it be true that Welch and Foley, Welch & Stewart are one and the same, and work together, I cannot see any reason why you should not say so. A.—They are not; but I cannot state what are the relations between P. Welch and Foley, Welch & Stewart are; better leave that to Mr. Welch himself.

Q.—You can readily see it becomes a matter of great importance to the Government; you have told us so often during these three days that Stewart was the man that fixed the prices; and if Stewart and Welch are one and the same thing, then they were fixing their own prices. And the Government has been dancing to those prices. A.—Well, I will have to speak to Mr. Maclean, in answer to that; but I would say that this covenant in Exhibit Schedule A is a far greater security in keeping down prices and to ensure the economical construction of the railway than calling for tenders would ever be. Surely, if Mr. Welch is under covenant to produce this road, he is not going to be extravagant in construction and outlay, and any profits carried away by a sub-contractor would be inimical to his interests and to the progress of the undertaking.

Q.—How is it that Foley, Welch & Stewart, in another letter that we have filed, very definitely refused to guarantee their own order for rails for \$1,250,000 for this road? A.—I explained how that was.

Q.—And they called upon the Government to give the guarantee? A.—No; Mr. Welch considered Mr. Oliver's attitude as distinctly inimical, and he said to me: "Now, if the Government should try to foreclose the firm from this undertaking, in what shape will we be, with this steel

on our hands? I won't take that responsibility"; and he put his foot down, and I wrote the letter in consequence, in which I used the word "unwilling."

Q.—What is the difference between him guaranteeing the payment for the rails and being liable to complete the road under a guarantee to the Government of British Columbia? Is he in a position where he doesn't have to live up to the guarantee, and that he can afford to act in that way with regard to the steel rails; what is the position? A.—The position is very simple. Mr. Welch was going to place himself in a position where he was buying a million and a half of rails, but if the railway was taken from him, what could he do; He guaranteed those rails in November, and it was in consequence of Mr. Oliver's attitude that he wished to recall that guarantee.

Q.—But his covenants remained there to complete this road, or pay damages upon an action brought by this Government, to compel him to pay damages for the amount of that road still unbuilt; I cannot see why he could not guarantee the rails and show a *bona-fide* intent to carry out his part in the construction; surely he would get better treatment if he had shown that attitude? A.—He had guaranteed the rails; the guarantee was given in November, and it was in consequence of Mr. Oliver's attitude that he wished to recall that.

Q.—I have nothing more to say.

Mr. Maclean: You state in your letter that the Canadian Northern partly financed the line out of the sale of townsites? A.—They paid for the terminals out of the sale of townsites.

Mr. Taylor: Will the money out of the sale of lots at Port Mann go into the construction of the railway, or are you speaking generally? A.—I don't know whether it will; what I had in mind was Montreal, and also some of their townsites on the Prairies.

Q.—In that letter, in reference to the sale of the townsite at Squamish, do you infer that the proceeds from the sale of the townsite would be turned into construction on the P.G.E.R.? A.—Oh, yes; we always intended that, always.

Q.—And the P.G.E.R.? A.—Always.

Mr. Maclean: How much did you expect to sell that townsite for? A.—We expected to make perhaps \$5,000,000 there when the lots were sold.

Mr. Hanes: What would have been the result if you had sold \$5,000,000 worth of property? A.—We would have put that into the construction of the railway, and that \$5,000,000 would have had us to Fort George to-day with the \$6,000,000 got from the Dominion Government.

Q.—What condition would the investors have been in? A.—They would have gone along prosperous, doing good business; I am speaking now of the effect of settlement if it had taken place in that country; there won't be any advance made there until settlement comes in, and that is what we want.

Q.—If you had induced investors to invest in Squamish, what position would they be in to-day? A.—They would be no worse than my own; I have the lots that I bought.

Q.—What condition is it in now; that is what I am asking you? A.—The best lands are withheld.

Q.—But I am asking what condition is it in now? A.—Well, the conditions are not good as a matter of fact; but we are not responsible for that, surely; we didn't bring on the war or the conditions created by the war.

Q.—Then, I will ask you further, if the Government under the new Act have a half-interest, under the new "Loan Act," do the Government have a half-interest in the proceeds of the sale of lots at Squamish? A.—Yes.

Q.—So that if you are able to put these lots on the market at what you claim now, say, at \$5,000,000, and sell them to the public, then the Government will participate in half of those profits? A.—They can take them all, if they wish, under the agreement. The idea was that they would sell about to that extent, to apply on the loan.

Q.—Is there an agreement between the Development Company and the Railway Company that the proceeds of the sale of the property owned by the Development Company will be turned over to the P.G.E.R. for construction purposes? A.—No, but the individual shareholders in the Railway Company and the individual shareholders in the Development Company are one and the same persons.

Q.—You just told me a little while ago that the proceeds that you made from the sale of this townsite for \$5,000,000, that that money would go into the construction of the road? A.—That was always our intention.

Q.—And you state there is no agreement between the Development Company and the Railway Company that that profit would go into the railway. I am asking Mr. Tate that question—you state that there is no agreement between the Development Company that if you could sell the townsite for \$5,000,000, that money would go into the construction of the railway? A.—You would not make an agreement with yourself; you have an intention to do certain things with the proceeds; I have answered several times, no.

Q.—You cannot make an agreement with yourself, but in this case the Development Company is a separate body? A.—But it has the same shareholders.

Q.—That would not have any effect, if it is a separate body altogether. A.—It is the one undertaking, and, as I stated before, we have got the franchise; that was given to certain individuals, and those individuals and the public will participate in it, should the Government want to take it over again.

Mr. Hanes: If the Development Company—I mention the case at Williams Lake—if the Development Company paid the Government \$7,000 an acre for that, and then had an agreement with the Railroad Company that they will sell the right-of-way, 34 acres, to the Railway Company for \$34,700, or \$1,000 an acre, the money would go to the Development Company from the Railway Company? A.—Yes.

Q.—Would the Development Company turn round and pay that money back to the Railway Company for railway-construction? A.—No; we would use that in constructing sidings, and trackage, and stations, and water-tanks.

Q.—For the Railway Company? A.—Yes, certainly.

Q.—The Development Company would. You already stated that the Development Company have no agreement with the Railway Company to expend that money? A.—Certainly; you see, the same individuals compose each, both the shareholders and directors.

Q.—The P.G. Development Company is a limited liability company, is it not? A.—And so is the Railway Company.

Q.—Registered as a private company? A.—The two companies are identical in the list of shareholders.

Q.—I quite understand company organization. A.—Both are the same.

Mr. Hall: At various times you have referred to the conditions brought about by the war. When the work was finally started, so far as any extensive operations were concerned, was that on account of running-out of money or running-out of men? A.—At the present time it is out of men; but at the time you speak of it was money.

Q.—It is quite fair to say that when you really discontinued your construction operations it was on account of 'no money being forthcoming? A.—Well, I would say so, subject to correction by Mr. Welch if it is not right; and at the present time I understand it is.

Q.—Well, possibly you might explain this to the Committee: In April, 1914, in consequence of certain representations that were made, you then doubled the force of men that you had on? A.—Yes, in May, it was up to 5,500 men.

Q.—And that continued for how long? A.—That continued until about a year.

Q.—And in ordinary circumstances I take it that you would not increase your force at that time, and the force was put on in consequence of representations made to you? A.—Yes; we had asked for the loan which was granted us in 1915—in 1914; that loan not being forthcoming then, if it had we could have got lots of men and material to have taken us to Fort George by the present time.

Q.—If you had carried on as you were prior to April, 1914, and these representations had not been made, you would not then have been as far advanced as you are now? A.—No.

Q.—So the result at that time was that the work was pressed forward more than it was under the original undertaking? A.—Yes.

Mr. Taylor: Mr. Tate, will you produce the minute-book, please? I want to file it. Of course, it can be got out any time if you request it.

Mr. Pooley: Minute-book of what?

Witness: Of the Railway Company.

Mr. Taylor: Pacific Great Eastern Railway Company. That is 61. You were to produce, Mr. Tait, the letters of yourself to Mr. Oliver and Mr. Oliver to you respecting the force account arrangement. There are two letters—to Oliver and Oliver to you; if there are more, we will take them. A.—No, just the one, Mr. Oliver to me.

Q.—This letter is dated the 6th of January, 1917, signed by Mr. John Oliver, and directed to Mr. Tate, and it is Exhibit 62. You surely don't say that is an arrangement for the Company to take over the work of a force account? A.—Practically the same; its basis is the cost of the work.

Q.—You say that is an agreement to drop the outstanding arrangement of the P.G.E.R. with P. Welch, which this Government has no power to do? A.—An arrangement between the Government and P. Welch by which he will do the work on a cost basis. That was done with my consent.

Mr. Maclean: If it doesn't say that, I don't know what it does say.

Mr. Taylor: There are enough lawyers on the Committee without my expressing an opinion.

Mr. Maclean: What do you think it means if it doesn't mean that?

Mr. Taylor: I would say, very clearly, this Government is loaning money (not building the railway at all) to the P.G.E.R., to enable them to complete that railroad, and therefore this Government is not now making a contract with Foley, Welch & Stewart by which they are to build the railroad on force account—I am through with my questions to Mr. Tate.

The Chairman: Are you having Mr. Tate back again on the other phase of the case?

Mr. Taylor: Yes, I will probably require him again.

The Chairman: Otherwise there might be some questions on some remarks of his to-night about the economical way of getting a road built. Mr. Tate suggested that the system of getting this work done was in itself the greatest guarantee of it being done cheaply.

Mr. Taylor: Mr. Tate can be recalled for any purpose, of course.

Mr. Pooley: I see that the estimates for October and November and December last year were paid by the Government? A.—Yes.

Q.—Those estimates were paid in exactly the same way? A.—Yes.

Q.—There is no change at all? A.—That letter very correctly states the arrangement entered into between the Minister and myself.

Mr. Hall: There are two or three questions that I would like to ask.

Mr. Taylor: Those questions could be asked to-morrow; probably in the meantime you may think of some other questions.

Mr. Maclean: I would suggest that, as far as possible, we should clean up with every witness as we go along.

Mr. Taylor: That is my idea. I have nothing more in mind that will require me to recall Mr. Tate, but at the same time it is possible that he may be required.

The Secretary: Mr. Tate, you produced this letter of Hon. Oliver? A.—Yes.

Meeting then adjourned, to resume at 10 a.m. on the following morning, Thursday, March 22nd, 1917.

SEVENTH SESSION.

THURSDAY, March 22nd, 1917.

Meeting called to order at 10.15 a.m.

E. P. Davis, K.C.: I am appearing, Mr. Chairman, for Foley, Welch & Stewart with Mr. Ellis; I am sorry I was not here before; and including P. Welch; they are one and the same, I imagine.

Examination of Mr. Tate resumed.

Witness: There is one statement I had better make, and which has been authorized by Mr. Welch. Perhaps you will wish to examine me on it. With regard to the P. Welch contract, I am authorized to say that Foley, Welch & Stewart is a firm, and that Mr. Stewart and Mr. Welch have each one-third interest in it. That was covered by a letter from J. Stewart to Mr. Welch, which Mr. Welch has not in his possession; but that is so.

Mr. Taylor: Will you produce the letter? A.—I have not got the letter.

Q.—I would like to ask Mr. Welch to produce the letter, or a copy of it. I take it that it is admitted that Timothy Foley, John W. Stewart, and P. Welch are equally interested in the contract made the 23rd day of September, 1912, in the name of P. Welch with the Pacific Great Eastern? A.—Yes.

Q.—Well, you said one-third for P. Welch? A.—That is right.

Q.—So each are equally interested? A.—Yes; in losses and profits.

Q.—Did you know that, at the time the contract was being made? A.—Well, I know that. I don't know at the time, I had known of it.

Q.—I understood you all through these two days and the four sessions (six) that that was not a fact? A.—No, no; I was asked to answer that question, but I left that to be answered by Welch, if you recollect, Mr. Taylor.

Q.—If you knew that at the time, why didn't John Stewart and Foley also resign as directors? A.—I didn't say that I knew it at the time; I have known it for some time; possibly I may have known it at the time.

Q.—We had your evidence very distinctly the other day that Mr. Patrick Welch, in order to enter into this contract, resigned as director because, under the sections 110 and 118 of the "Railway Act," he could not be a director and interested in a contract with the Company.

A.—Well, I said——

Q.—He could not at the same time be a director? A.—That was to prevent any formal question being raised, why we did that.

Q.—Why didn't Stewart & Foley also resign as directors, to prevent the same formal kind of question being raised? A.—Well, they were not ostensibly directors; it was a pure matter of form; we were not——

Q.—What do you mean by that, they were not ostensibly directors; that they were not known, made known to the public, on the face of the document, is that what you mean? A.—Well, you take it that way.

Q.—They were actually directors who had the same interest, to the same extent as P. Welch? A.—Not in any way within the scope of the agreement with the Government of the 10th of February, 1912.

Q.—Then, all these minutes that have been filed, where Stewart and Foley have joined in the directors' meetings, and acted as directors, you have known throughout then that they had no power to act as directors? Oh——

Q.—Under section 110 and 118 of the "Railway Act"? A.—Of course——

Mr. Maclean: I would say that those sections do not apply under the peculiar circumstances of this contract.

Mr. Taylor: Well, assuming that they do apply, you have known that they were acting as directors contrary to the two sections I have mentioned? A.—Well, perhaps, Mr. Taylor, that is putting it too strong. I never saw the letter that Welch referred to; I may say that I understood that there was some understanding in regard to that letter. I was not altogether in doubt with regard to the matter, but I know specifically that I had no specific information from John Stewart or P. Welch beyond that there was an understanding of a firm nature.

Q.—Section 17 of chapter 36, 1912, is the section that makes the "Railway Act" apply to this Company? A.—In so far as it is not overridden by the agreement.

Q.—Where any conflict arises between the two Acts, the terms of this Act shall govern; what section of your Act do you say conflicts——

Mr. Maclean: What section are you referring to?

Mr. Taylor: Section 17, chapter 36, 1912, page 208, in the Statutes; what term of your Act, chapter 36 of 1912, do you say conflicts with sections 110 and 118 of the "Railway Act"? A.—Primarily and fundamentally, clause 4 of the agreement, and incidentally the whole scope and tenor of the agreement.

Q.—But we are not dealing with clause 4 of the agreement. A.—Yes, that is the proper Statute.

Q.—No; chapter 34 is that Statute. A.—Yes.

Q.—This is chapter 36, the incorporation, I am dealing with now. A.—Chapter 34 is specific legislation.

Q.—Is that the incorporation of the Company? A.—Yes; chapter 34 is not——

Q.—Chapter 36 is the incorporation of your Company? A.—Yes.

Q.—Chapter 36 stands by itself? A.—Excuse me, it does not.

Q.—Well, if you will allow me, section 17 says that the "Railway Act" shall govern except where there is a conflict arising between the two Acts; now, where do you find the conflict in

chapter 36, between it and sections 110 and 118 of the "Railway Act"? A.—The conflict is introduced by chapter 34, which must be read with chapter 36.

Q.—What part of chapter 36 do you say must be read with it? A.—The two Acts must be taken together.

Q.—What is there in chapter 36 that says chapter 34 must be read with it? A.—There is nothing expressly stated, except one's common sense in taking the two Acts together, which had for their object the construction of this railway.

Q.—Common sense is found in what the Legislature has said; the Legislature has said certain things; now, where is chapter 34 made a part of chapter 36?

Mr. Maclean: It is a pure legal argument; I will address myself to it later on.

Mr. Hanes: Mr. Tate, you said, I believe, that all the stock of the Company—that is, the \$24,900,000 worth—was issued to the firm of Foley, Welch & Stewart? A.—I did.

Q.—Then you said you had a quarter of it? A.—I did.

Q.—That is, \$6,000,000 and some odd dollars? A.—Yes.

Q.—That was 25 per cent.? A.—Yes.

Q.—Are you interested to the extent of 25 per cent. in the firm of Foley, Welch & Stewart?

A.—I am interested to that extent in the Railway Company.

Q.—But are you interested to that extent as regards the firm of Foley, Welch & Stewart?

A.—I have no interest in the firm of Foley, Welch & Stewart.

Q.—You do not participate in any way in the profits? A.—Not at all.

The Chairman: I do not want to interrupt in your line of question, but when you have finished—

Witness: If you will allow me to make a sort of a consecutive statement first, if Mr. Taylor is through.

The Chairman: All, right, go on. I did not want to interrupt.

Witness: Several questions have been put to me from time to time, and I think perhaps it will save time, Mr. Chairman, if I make a sort of consecutive and comprehensive statement of the whole thing, of my knowledge and connection with this undertaking from its inception. Now, the first—

Mr. Pooley: That is the Railway Company?

Witness: The first idea of this north and south line came to my notice in connection with the time that I was counsel for the Grand Trunk Pacific; and it was the intention of the late Prime Minister to have the Grand Trunk Pacific come into Vancouver, so as to make competition with the Canadian Pacific and the Northern. Mr. Hays didn't take kindly to this idea. He hadn't so much faith in British Columbia as the late Prime Minister had, and he refused to consider construction of the north and south line at that time. It was then proposed—I suggested to the Prime Minister the idea of forming an independent company. He said he had no objection to that, provided the company were responsible and could obtain a traffic agreement from the Grand Trunk Pacific for the purpose of ensuring this competition. Therefore the condition precedent to any arrangement with Foley, Welch & Stewart was a traffic arrangement with the Grand Trunk Pacific, which I obtained from Mr. Hays, and which forms Schedule B to the Statute of 1912, and which Mr. Taylor referred to and mentioned was prior in date to the main agreement with Foley, Welch & Stewart; and that is the reason for its priority. In that agreement we see where the first idea was introduced of all of the capital stock of the Company being held by Foley, Welch & Stewart, because Mr. Hays insisted that they must retain a controlling interest in the Company, and that is part of the agreement with the Grand Trunk Pacific. That idea permeated the whole arrangement then from start to finish. Having had this agreement, then the next thing was, the agreement was entered into which forms Schedule A to chapter 34. Now, this agreement is practically on all-fours with a similar agreement entered into with the Canadian Northern Railway by the Province two years previously. The only important distinction is this: that in the main agreement, there were the covenants by the Canadian Northern Pacific, or the Canadian Northern, rather, to construct and operate the railway. In regard to the Pacific Great Eastern, inasmuch as that Company was not then existing, the then Government insisted that the firm should give the covenant for the construction and operation of the railway that had been given by the Canadian Northern Railway, so that is where our section—clause 4, rather, of the agreement came into existence. Now, this clause 4 is the fundamental section of the whole agreement, and is the fundamental section of the whole arrangement between

Foley, Welch & Stewart and the Government; and everything else in the Statute that my learned friend refers to, chapter 36, and the other clauses of the agreement, are subsidiary to this main controlling clause 4; and everything that has been done in connection with the undertaking since that time is all referable to this clause 4 and similar clauses in the agreement. That is, clauses relating to the obligation of the firm to produce this railway and operate it. Now, the first thing that was done, or, rather, the first consideration, was how best to ensure the fulfilment of the firm's obligations contained in clause 4 and other clauses of the agreement. Now, in deciding upon a plan of procedure, I followed as closely as I could the same two Acts that had been passed by the Dominion House in relation to the construction of the Grand Trunk Pacific Railway. Now, there are two Statutes there, just as there are two Statutes here, the Acts being chapter 122, 1903, Edward VII.

Mr. Pooley: Will you give the year for the notes—

Witness: 3 Edward VII., chapter 132 (122); well, that would be the recital there—1903; but the citation is 3 Edward VII.—that is the special Act corresponding to chapter 34 of the Pacific Great Eastern legislation, and—no, that would be the Act, the corresponding Act to chapter 36, that is the Act of Incorporation; and the other Act would be perhaps chapter 31, 3 Edward VII., an Act relating to the National Transcontinental Railway. These two Acts have to be construed together, and then there is the agreement between the Grand Trunk Pacific and the Dominion Government, which is the Schedule to that last Act, that agreement being dated 29th July, 1903. Now, in that case, the old Grand Trunk Railway stood in the same relation relatively to the Grand Trunk Pacific as the firm of Foley, Welch & Stewart stands to the Pacific Great Eastern. And I have followed as closely as possible the same procedure. Now, in that case, the Grand Trunk really took the common stock of the Grand Trunk Pacific, just the same as was done by the firm here. The Grand Trunk Railway guaranteed the bonds of the Grand Trunk Pacific to a certain extent and endeavoured to implement the Dominion guarantee to the extent necessary to produce the road, just as was done here. In the case of the Grand Trunk Pacific, they also introduced a townsite company, the Grand Trunk Pacific Development Company, and that was for the same object that our Development Company was brought into existence—namely, to keep the lands of the Company from the operations of the main mortgage, otherwise the Company would be fettered in their operations and in their finances. Now, we followed as closely as possible that procedure. At the time our Act went through, and the agreement, Schedule A, was formed, I called the attention of the Prime Minister and the Attorney-General to these sections in the Grand Trunk Pacific legislation, section 8.

The Chairman: That appears as which section in our Act?

Witness: Those are the sections that are wanted in our Act. Section 8 of chapter 122, which enables directors to be officers of the Company, and chapter 11, which permits the issue of paid-up stock.

Mr. Davis: Which year is that, Mr. Tate? A.—3 Edward VII., chapter 122, 1903, which permits the issue of paid-up stock for guaranteed securities, and so forth. Now, I requested or asked the Attorney-General and the Prime Minister to have these or similar sections included in our Act, or in our agreement; but their answer was that this agreement of ours was the same agreement that had been entered into with the Canadian Northern Railway, and which the people of the Province had passed upon, and that inasmuch as we would probably be requiring further amendments when we commenced to work out the arrangement, that we had better leave all similar amendments, or such amendments until the subsequent session. Now, at the subsequent session we made an application and we were put off on one pretext or another.

The Chairman: When was that Act put through relative to the election? A.—Yes, it was put through; the election was in April of 1912, and the Act was in February, 1912, and March, 1912; so in that way, although there may be a technical omission from our legislation as compared with the Grand Trunk Pacific legislation, there is no departure in spirit, and it was the intention of the parties that that procedure should be followed substantially. Now, then, if we take clause 4 of the Foley, Welch & Stewart agreement, and take that as the controlling section of the legislation, and it is the controlling section, because, but for that section, the franchise would not have gone to Foley, Welch & Stewart.

Mr. Pooley: You are referring to section 4 of chapter 34? A.—Of the agreement—yes, Schedule A.

Q.—You refer to Schedule A? A.—Yes; but for that section or clause of the agreement the franchise would have gone elsewhere, and that leaves the dominating—and that is the dominating clause and feature of the whole thing. Now, then, when we commenced the undertaking, broke ground, so to speak, we had to decide upon our plan of procedure, and, as I say, we had to endeavour to follow as closely as possible the Grand Trunk Pacific procedure. That accounted for the inclusion of these subsidiary companies, about which so much adverse comment has been made. If this covenant of the firm did not exist, then there would be a very different construction placed upon those subsidiary companies. It might be in that event that those companies were there for the purpose of diverting profits from the undertaking into the treasury of these subsidiary companies. But when we look at the personnel and constitution of these companies, we find they are identical with the main company. Foley, Welch & Stewart are the Pacific Great Eastern Railway Company, the Development Company, and the Equipment Company; in other words, they keep control of the situation because their covenant is there. Therefore these companies, in place of being designed to divert the profit or funds from the undertaking, have a diametrically opposite effect. This would conserve funds for the purpose of concentrating them and applying them on the undertaking. Now, just to follow that out by an illustration: Take the question that was asked by Mr. Hanes last night. Supposing that the Development Company had made \$5,000,000 from the sale of townsites in Squamish or elsewhere. How could it be possible for the money to have been diverted from the main undertaking of the Railway Company. All its assets are in the Province. Foley, Welch & Stewart are the controlling members of that Company. They have the profits, they have the assets, and you have their covenant; and if they failed to apply those moneys towards the construction and completion of the road, they can be at once sued and become liable in any Court in the Province. The whole agreement works out absolutely to ensure the completion of the road beyond peradventure, and there is not a single dollar of property which we have got—the Company has got—from the Province that can be diverted, under any of these Acts, or under any of the subsidiary companies which were formed.

Mr. Hanes: Pardon me for interrupting you, Mr. Tate; I thought you stated that the Development Company had no agreement with the Railway Company whereby they had to put their profit into railway-construction; you said they had not any agreement? A.—I did. The whole intention was to complete and finish this road, and, as I say, if the Development Company made profits they could be compelled to implement their covenant in this agreement by applying those profits to produce the road. There is enough legal talent on the Committee to know whether or not I am stating what is not a legal fact. Now, if, for instance, the Development Company had been composed of other individuals, men of straw, and in such a way as to suggest subterfuge, or combination on the part of the Company, or of Foley, Welch & Stewart, then there might be some grounds for suspicion and attack; but there is nothing of the kind. Foley, Welch & Stewart retain the control throughout, they retain the control there; and I would just like to state, in passing, that there has not been a single act of any of the Pacific Great Eastern Companies that is not on record and that has not been openly done. All these companies are matters of record, either in Ottawa or in Victoria, and everything is official, and can be verified by any outsider by making the necessary searches in the proper department. There has been no underhand work at all; everything is as open as the day, and the records of the Company have always been open for inspection, and are open now; and there is not a single act of the Company from start to finish that can be criticized at this time, or that you can say we were endeavouring there to evade our obligations under the contract. Now, if you will just take that covenant in the former Act, and similar covenants in Schedule A of chapter 34, as being the controlling spirit of the agreement, and as being the test sign by which every act of the Company should be weighed and judged, then I say that, apart from politics, you must find—

The Chairman: There are no politics here, you know.

Witness: —that Foley, Welch & Stewart have been doing their best to produce this road from start to finish. Now, you have heard no criticism of the mode of procedure adopted by the Grand Trunk and the Grand Trunk Pacific, although it was identical with ours. What is the reason? Because there was no war then, and the thing was carried to a successful conclusion. Now, if

we had not been overtaken by this world calamity, everything would have gone all right with us. We would have sold our townsites, and we would have been entitled—we would have had, rather, the sources of income to rely upon that we counted on. We expected when we entered into this agreement to have the sales of our townsites, and to derive possibly anywhere from \$5,000,000 to \$10,000,000, the same as was done in every other company heretofore constructed in Canada; from the Canadian Pacific down. We also expected to have obtained a subsidy of \$12,000 a mile, the same as was done in this Province and every other Province in the Dominion. We expected to have our market, to offer our securities, under normal conditions, and then we could have disposed of those guaranteed securities in or around par. In place of that, the market has receded to the extent of a depreciation of 25 per cent. We also expected settlement to have come into this country, whereby the country would have a growing business, and would have brought in some business and revenue from the start. All of these things have failed, but we are not to blame for that. It doesn't show any dishonesty on our part. It simply shows that we were overwhelmed by the conditions that had overtaken the world, and I challenge any one before the Committee now to point out any official act that has been done, any act on behalf of these companies, for which we could be justly criticized, politics apart. Now, I make that statement in all seriousness; I am asking for any criticism that may be made. Now, let me come, in this connection, to the question of contractor's profit. A great deal has been said this last year about the profit that Mr. Welch has made. Now, that term "profits" is a misnomer when you look at section 4; it is just equivalent to the case of a man who is building a house for himself; he does not call savings in cost "profits." Now as to contractor's profits. Looking at section 4, the firm have got to produce this road, and, incidentally, the Province is in the very same boat. Has the firm done anything that would go to weaken that covenant? Here is the position of the Province and the covenant; anything that will go to benefit and strengthen that covenant will strengthen the position of the Province. Now, what would be gained by calling for tenders, and allowing sub-contractors to intercept a certain percentage of profits, which would be taken away from the undertaking altogether; that would not have improved the position of the Government, or the position of the Company. Supposing—the best way to test this, gentlemen, would be to put yourself in the place of Foley, Welch & Stewart, and you are given this contract; how would you set about building that road? Would you not, rather, especially if you were an experienced railroad contractor, and had built more mileage than any other firm of contractors on railroad-work—at any rate here—would not you rather keep that in your own hands, because every dollar that is saved remains in the work, and is saved for the Province, and it makes the covenant that much more valuable. The Province would not be any better to-day if tenders had been called for, and the sub-contractors had walked off with \$2,000,000 profit; it would have been that much worse. Now, the firm being under obligation to produce this road, they undertake the construction of the road themselves. This contract with Mr. P. Welch is simply a means to an end, and in nowise violates the spirit of this agreement, but is rather in furtherance of it. The firm contracts and covenants to produce the road, and they immediately let the work of construction to one of their firm, who is to personally superintend it, and produce the road, and still it is the work of the firm. Now, I say this: that that road can be produced more economically by the firm of Foley, Welch & Stewart than by any other contractors. P. Welch had certain prices; there was a margin—not a great margin between those prices and the sub-contractor's prices—well and good. Supposing that he was saving money by reason of those prices, where would that money go; it is still in the pockets of the firm, and you have got control of the pockets of the firm, under clause 4; but if those profits had been intercepted by sub-contractors, it has gone for good—both from the Company, the firm, and the Government. Therefore I say the whole effect of these agreements, that have been attacked and criticized, and the contract of the contractors which have also been criticized, is to conserve the assets of the Province. Now, if you will construe everything by reference to the covenants, you will see that the whole thing can be explained. If, as I said before, there had been a disposition on the part of the Company to allow outsiders to intervene, they might by means of these subsidiary companies have intercepted profits arising from the undertaking, there might be some ground for criticism; but no, the personnel has been maintained throughout, Foley, Welch & Stewart in the agreement, Schedule A, in chapter 34, and in the different companies that have been incorporated for the purpose of carrying out the terms of that agreement. Our position has been consistent throughout. There has been no attempt

to evade or escape obligations. What criticism has been levelled at the Company or the undertaking, or the contractors, would be, might be just, if there was not the personal covenant of the firm; but the personal covenant of the firm puts everything in a new light. Now, for instance, supposing the firm had not given this covenant, and P. Welch had made or entered into this contract and the prices were liberal, and he had made \$2,000,000 or \$3,000,000 profit. Well, that goes into his pocket; there is no covenant by which you can reach that. The same thing would apply to the other companies, if there were different shareholders there. In the Development Company, whereby the profits arising from that would be taken away from the undertaking, the criticism would be justified; but, looking at the thing from the standpoint of common-sense business-men, you have the assets of the Development Company, and a large amount of real estate, not only tangible, but I might say very ponderous; they cannot be spirited away from the Province, and so long as Foley, Welch & Stewart maintain control of the Company, if they did not choose to put the proceeds arising from the sales of their townsites into the construction of the railway, so as to implement their covenant, the Government can reach those profits by an action under this agreement, and there is no way by which the firm of Foley, Welch & Stewart can escape that liability. Therefore I submit that the Committee, in looking at this thing, do so on a broad-minded basis. This Government is in power for five years—

The Chairman: Longer than that.

Witness: —and if they chose to co-operate with our Company—(five years, anyhow—to Chairman)—five years will be amply sufficient to carry this undertaking to a successful conclusion, with any kind of reasonable co-operation on the part of the Government. Of course, I am not speaking now in a critical way, but there is no doubt that this Pacific Great Eastern undertaking has for the last year or two been made a sort of political football, and that is not fair. We want to approach this matter in a broad businesslike spirit. Now, Foley, Welch & Stewart, or the majority of its members, are Americans, and we have been talking about attracting American capital into the Province. Mr. Welch and Mr. Foley came over here, and they put their good money into this thing, and they expected and felt entitled to expect reasonable treatment on the part of the Government. They want no favours and they want no gifts, but they want fair treatment; and so long as you give them fair treatment, and cut out politics, I think you will find them playing the game. Now, a lot more has been said about the issue of paid-up stock. That is only a technicality; there is no meaning to it, because without issuing any paid-up stock to the Company the effect would be the same if we simply adhered to the original subscription of \$100,000 of stock; Foley, Welch & Stewart would have retained control of the Company then, and the dividend would have been all the greater for the stock issued. Our idea was and is, and will be so long as we have control, to allow no outside interests to intervene until the firm have carried out their obligations under this agreement, and that has been our aim throughout—not to introduce any interests which would militate against Foley, Welch & Stewart carrying out their obligations to the Government; and surely there is no ground for criticism on that. Everything that we have done to that end, it has been endeavoured to twist around for political purposes, and that, I submit, is not fair; and that is not what we are entitled to expect. Now, with this new Government, if they will endeavour to help us out, so long as war conditions will justify, for our part, we will endeavour to make good; and I would like to have an opportunity, before this Committee makes its report, to answer any questions or doubts that may arise in the minds of the gentlemen of the Committee in regard to the whole transactions and deals in this Company from start to finish. Now, the questions that my learned friend has been putting to me are technical and academical questions, and nothing to do with the—

Mr. Pooley: You mean Mr. Taylor?

Witness: —with the meat and substance of the matter.

Mr. Maclean: I have not put any.

Witness: No—Mr. Taylor. The question of directors entering into a contract with themselves and all other similar questions that have been presented—they may have a certain plausible effect, but they have no effect in substance, when you look at what is the original obligation, as called into existence by this agreement, Schedule A, and that is, that Foley, Welch & Stewart are to produce that road. Now, surely, letting the contract to Foley, Welch & Stewart is a direct means to an end, and while there may be no express language stating that the "Railway Act"

shall not apply, still the "Railway Act" is not permitted to override the express and specific clauses of this legislation. When I refer to this legislation, I want to treat it as a whole.

Mr. Maclean: We will have this reference—you might read the whole of that clause 17; my learned friend read only parts.

Witness: Yes; clause 17 of chapter 36 reads: "The several clauses of the 'British Columbia Railway Act' shall be incorporated with and deemed to be part of those, and shall apply to the Company, and the Company shall be directed by it, except in so far as it may be inconsistent with the enactments hereof, and except in so far as they may be inconsistent with the provisions of the agreement dated the 10th of February, 1912, made between"—and so forth. Now, it would be manifestly inconsistent with the provisions of that agreement to put in directors there who might override the wishes of Foley, Welch & Stewart and prevent the very fulfilment of their contract contained in clause 4.

Mr. Maclean: Supposing they put in dummies, and the dummies cut up rusty— A.—Quite so.

Q.— —and would not carry out the agreement. A.—Quite so.

Q.—They would have to wait a year to get them out? A.—Yes; in other words, Foley, Welch & Stewart cannot for a moment disable themselves from complying with the provisions of section 4 of the agreement and the other sections; they have to retain control throughout, and they have done that more or less, and have not, as I say, introduced any outside influence which could intercept any profits at all. Then, looking at the thing in that light, and taking into account the conditions precipitated by the war and for which Foley, Welch & Stewart are in no ways responsible, in what way are we, or how are we in any way contravening the provisions of this legislation—agreement? Our only fault has been that we have had to meet the insurmountable conditions created by the war; and if it were not for that, there would not have been any trouble about anything we have done, or any criticism.

Mr. Pooley: While you are talking about that, the Grand Trunk Pacific—you say you have been connected with that organization? A.—Since 1895.

Q.—When was the operation started? A.—Of the Grand Trunk Pacific?

Q.—Yes. A.—Oh, it was started—sections of the work—

Q.—When did they first start? A.—They would commence operations under the Construction Department about 1897 or 1898.

Q.—In which year; that was under that Bill that you talked about? A.—1897, 1898.

Q.—When was it finished? A.—When was the construction finished?

Q.—Yes. A.—Oh, I left the Grand Trunk Pacific in 1912; I don't think it was formally finished then.

Q.—Do you know whether they had any difficulty in financing their operations towards the latter part of their construction? A.—Oh, yes; they had to come back to the Dominion Government time and time again.

Q.—When was the last time, do you know? A.—Well, they came every year.

Q.—When was the last time? Do you know whether they had to go to the Dominion Government for assistance after the war? A.—Oh, well, I was not with the Company at that time, but, of course, we know by the papers that they did.

Q.—Do you know whether they found any difficulty in operating that railway and had to turn over a section to the Government? A.—I know that, yes.

Q.—They also had difficulty in financing on account of the war? A.—To the best of my knowledge, the Grand Trunk Pacific returned to the Dominion Government every year from their year of incorporation for additional assistance, right down perhaps to the present time.

Mr. Hanes: You were following the Grand Trunk Pacific in that precedent also, in the feature of coming back to the Legislature every year? A.—I was following the precedent created by inevitable necessity.

Mr. Pooley: They had to go before the war, and you had to go after the war; that is the difference? A.—That is the difference. Something has been suggested about this overpayment of \$5,700,000, and the Chairman was asking me if I would give any opinion about that. As I stated last night, that matter was disposed of from first to last on the ground of expediency, and I do not think that I am stating anything unfair to Sir Richard McBride if I just mentioned this to you here. Of course, I do not like to make any statement in that respect; but it is only fair to Mr. Welch and to the firm to say this: that at our first interview with Sir Richard

McBride he intimated that the development of the Province was what he was after, and he wanted this north and south road built, and he was satisfied with the responsibility of Foley, Welch & Stewart; and if they would undertake the task, he said, of course, that if this guarantee was not sufficient, "Well, I will try and help you out"; and, of course, the contractors relied on it to a certain extent; and if Sir Richard was here, I am sure he would make the same statement himself, as he said he wanted to get this road built and the development of the Province to go ahead, which it could not do until this road was *fait accompli*; and there is no doubt that is so, when you look at the map, because it is really the backbone of the Province, and his policy in that respect was justified and was warranted. That might have some bearing upon how these estimates were paid out and the matter of official expediency.

The Chairman: That was before the bread-line in Vancouver? A.—That was before the bread-line. The whole aim was to produce this road in the most economical way possible, and I state, without fear of contradiction, that there is no firm on the American Continent to-day that can produce that road as economically as Foley, Welch & Stewart.

Mr. Maclean: I propose, Mr. Tate, that if the \$5,000,000 had been retained by the Government, we will say, and not put into the road, what would be the present position of affairs with regard to it? A.—It would have to shut down; the road would have come to a standstill.

Q.—That is, that \$5,000,000 would not have gone into the road? A.—No.

Q.—The portion of the road that the \$5,000,000 may be taken to represent, would it have to be constructed now? A.—It would.

Q.—And could it be constructed now at the same cost that it was when the money was actually put in? A.—Not at all; it would be from 30 per cent. or more higher, possibly double in some cases; material has doubled, some materials.

Q.—The report shows that clearly, does it not, Mr. Gamble's report? A.—The effect of what you call the overpayment to the P.G.E.R. has undoubtedly been to improve the position of the Province, and to improve the position of the public, inasmuch as it brings nearer the time when they have the road, and it improves the position of the bondholders. Therefore any questions of a technical violation is only academical. If the position of the parties had been prejudiced, then I could understand the amount of attention that has been directed to it, but such has not been the case at all. It is far better to have so many miles of constructed grade to-day than it is to have that money lying in the bank idle, and at the same time the interest charges heaping up.

Mr. Hanes: You stated that if the \$5,700,000 had been retained by the Government, that the contract would have to stop? A.—Yes.

Q.—Why would not the firm of Foley, Welch & Stewart go ahead and build the road according to their contract? A.—Now, Mr. Hanes, I have tried to state as specifically as possible why the firm of Foley, Welch & Stewart could not finance this road until after the war; nobody could do so, and they cannot do so now; and there is no use in labouring that question; we are putting facts before the Committee.

The Chairman: You intimated to Mr. Bowser in the spring of 1914, or to Mr. Bowser and Sir Richard McBride, that if they did not let the estimates go through, that you would not go on and complete the road under the terms of the contract? A.—Yes.

Q.—What did you mean when you were talking yesterday about the principles of letting the contract in this way as being economical to all parties concerned? Why did Foley, Welch & Stewart go through the fiction of a contract to themselves in the name of P. Welch, contractor? A.—Well, as I said to Mr. Taylor, to prevent any formal violation, perhaps.

Q.—That would mean, to conceal the real intention? A.—Well, to prevent any questions being raised. Not at all—I say, to prevent any questions being raised; because we thought, and still believe, that we were carrying out the real spirit and effect of this agreement.

Q.—Now, the basis of the estimates which were passed by the Government upon which large guarantees were paid out was the price fixed by Foley, Welch & Stewart and P. Welch; that is right? A.—Yes.

Q.—That is, by Foley, Welch & Stewart under a private arrangement over which there was no control? A.—No.

Q.—The prices were fixed by Foley, Welch & Stewart, or by P. Welch? A.—Well, I might say in that connection that Mr. Gamble knew the prices; when I submitted the prices to Mr. Gamble, he said: "Well, they are higher than the Canadian Northern Pacific prices; you had

better have those passed upon by the Executive." I said: "All right"; and I mentioned the matter to Sir Richard McBride, and he had Mr. Stewart come down for the purpose of justifying those prices; and I don't know about Welch, but Mr. Stewart attended and stated, before Mr. Gamble and the Prime Minister, that these prices were the same as the Grand Trunk Pacific paid Foley, Welch & Stewart for the Prince Rupert end of the work. The Canadian Northern Railway had the Canadian Pacific for transportation, and the conditions surrounding the Grand Trunk Pacific Railway were more closely allied to the conditions of the P.G.E.R.; in fact, they were somewhat better on the G.T.P., because they had a certain amount of river navigation on the Skeena, whereas our supplies were all taken in by wagon.

Q.—You do not mean that this road compares with the G.T.P.? A.—No—the conditions of construction.

Q.—Not the kind of road? A.—For instance, rock would pay the same price, the same as materials that have to be moved.

Q.—Did Mr. Gamble, before he passed on those prices, go up on the ground, or what steps were taken to inquire as to those prices? A.—I know that Mr. Gamble and the Prime Minister, after hearing the representations made, finally adopted those prices.

Q.—I want you to repeat a little what you told us yesterday, as to how all parties concerned were interested in securing a cheap construction? A.—Well, I will try and make that clear.

Q.—Don't elaborate it; just give me the points which you mentioned yesterday. A.—Well, Foley, Welch & Stewart would not be likely to waste any money in the construction of the line that they were building for themselves on their own account.

Q.—But Foley, Welch & Stewart were not wasting any money in letting the contract at a high price to Foley, Welch & Stewart, were they? A.—They were not wasting any money, but any margin of profit that they derived went into their own pockets and not into the pockets of strangers.

Q.—So far as economy is concerned, there was no particular motive of economy in Foley, Welch & Stewart letting it to themselves? A.—Yes; because the profits of Foley, Welch & Stewart made, if they had been earned by an outsider, would have been taken away from the undertaking altogether, whereas anything they make now is still within reach of the Province.

Q.—What I am asking you is what motive there was for Foley, Welch & Stewart letting to Foley, Welch & Stewart at a low contract price, what motive of economy was there? A.—The desire not to let any money get away from the undertaking.

Q.—The desire not to let any money get away from Foley, Welch & Stewart? What motive was there for Foley, Welch & Stewart cutting the price down in letting it to Foley, Welch & Stewart? A.—Oh, I see; well, there was no particular motive in that.

Q.—No; the only guarantee this Province would have would be the strict adherence to those sections, wouldn't it? Subsection 9, isn't it? A.—Yes, subsection (d), page 194; middle of subsection (d), Schedule A.

Q.—The only possible safeguard the Province could have would be the adherence to clause 9 of Schedule A? A.—Yes; and also the security of the firm.

Q.—And clause 9 was ignored; don't you say that it was ignored? A.—No, sir, I do not.

Q.—But you won't say that they strictly adhered to it? A.—I say they were unable to operate under these conditions.

Q.—The only other safeguard was clause 4; and was clause 4 adhered to? A.—Oh, yes, clause 4 is in force to-day.

Q.—But has it been adhered to? A.—Well, it has been adhered to in this way; that any profit that Foley, Welch & Stewart made out of the contract went right back into the undertaking, and they are still liable on their covenant for the balance.

Q.—Your intimation to Mr. Hanes was that in May, 1914, they were not in a position to live up to it? A.—Well, not to crowd on a large force of men.

Q.—They were not able at that time to put on a force sufficient to complete the road and do it in the time specified? A.—No, I don't think they were.

Q.—So that from 1914 to the present time neither clause 4 or clause 9 have been strictly adhered to? A.—Well, of course, we adhered to clause 4 as far as we were able.

Q.—Those were the only two clauses that would protect the Government? A.—In a general way, that is so. Of course, you will allow me to say that they still have clause 4, and that covenant is as good to-day as it was when it was given; only the temporary conditions arising

from the stress of war—but you understand the point I am trying to make. Supposing Foley, Welch & Stewart, for the sake of argument, made \$2,000,000 profits out of this contract; I think that they still have a string on this \$2,000,000 by means of this covenant, clause 4, and you appreciate the distinction, the difference that exists; if they were not personally liable then, the question of profits would be more material than it is now. You appreciate the distinction that I am trying to make.

Q.—You tell us that the profits made by Foley, Welch & Stewart have gone back into the road? A.—Yes.

Q.—That is so, is it? A.—Absolutely.

Q.—Now, how much money—let us take it at the time of the last session; at that time how much money had gone into the construction of the road apart from the equipment? A.—At what date?

Q.—At the time of the Loan Bill last year. What I want to get is the Government engineer's estimate at that time. A.—The net amount that we got from the bonds which was accepted—

Q.—No, I am not troubling about that; I asked you for the estimate of the amount of money that had been spent on the road a year ago; you have got that, haven't you?

(Witness refers to Mr. Thomas.)

Witness: The amount of Mr. Gamble's estimate up to No. 41 was \$18,246,305.04.

Q.—How much at that time had you received from the sale of bonds? A.—We received from Mr. Gamble \$18,029,897.62.

Mr. Taylor: What they received was the full amount of the proceeds of the bonds, which is \$163,800 more than they should have received.

The Chairman: That probably will be gone into in more detail on the second branch of the case; I wanted to ask that question at this stage.

Mr. Taylor: Better ask it now, I think.

Witness: I can give you the amount that we received altogether.

The Chairman: I thought it was a simple question. A.—It is.

Q.—How much was the Government engineer's estimate of the amount spent on the road—\$18,246,000? A.—That is right.

Q.—Excuse me, that is not correct. A.—That is what Mr. Thomas gave me.

Mr. Taylor: It is \$18,035,198.53.

The Chairman: That is the amount of the estimates.

Mr. Taylor: That is the amount of the estimates, yes; \$18,035,198.53 as shown by the auditor's report; that is 41.

Witness: We have got here the Estimates 1 to 41—\$18,246,305.

Mr. Taylor: I will just read it as it is here in Exhibit 3, page 4; this is the auditor's report: "Total amount of Estimates 1 to 41, to the Pacific Great Eastern Railway Company out of the net amount credited to the Minister of Finance in respect of the securities sold, \$18,035,198.53, being \$5,704,316.10 in excess of the proper proportions."

The Chairman: There has nothing gone into the construction of the road except the money from the Government? A.—More than that; for instance, there is now \$750,000 not passed by Mr. Gamble.

Q.—When the loan trouble came up, there was \$750,000 held back? A.—Oh, yes, at that time, still held back.

The Chairman: That is all.

Witness: That is just one item, of course; but if you will give me the amount received by Foley, Welch & Stewart out of the proceeds of the assets, up to Estimates 1 to 45.

The Chairman: How much was that? A.—They received \$16,422,262.42; they have got to account for that.

Mr. Davis: We propose to put in through Mr. Welch an exact statement of the amount of moneys received by them, and an exact statement of the cost of the various portions of the road, to show just what that money has gone into.

The Chairman: I don't see why a simple question like the one I asked should have brought out all this argument. A.—We got estimates from Mr. Gamble, 1 to 41; Mr. Thomas informs me that it comes to \$18,246,035; that is the answer.

Q.—All right, then, that is what the estimates show? A.—That is what the estimates show.

Q.—The road cost to the P.G.E.R. up to that date? A.—Yes.

Q.—Now, then, at that date how much money had been paid out on the sale of bonds?
A.—Everything.

Q.—How much did that amount to? A.—Same amount.

Witness: Mr. Thomas gave the figures \$18,123,678.49; Mr. Thomas says the auditor is wrong.

The Chairman: Then the result of your statement is, at any rate, now, Mr. Tate, that according to the Government's estimates that have been passed and to the amounts paid out from the Department, and the amount paid out of the debentures, plus interest, equals the amount of the estimates passed by the engineer? A.—Yes.

Witness: I was just going to show the Committee our Squamish holdings, as it would make my answer more intelligible.

Mr. Pooley: I would suggest that you get as close as you can to the stenographer.

Witness: Now, this plan shows our Squamish holdings. You want to mark it as an exhibit, I suppose. It shows the consolidated holdings of the Development Company at Squamish, at the head of Howe Sound.

Mr. Pooley: How are they marked on the plan? A.—According to the lettering there. This is the red here, and this is the patched red; this is the Development Company. Now, this is that I might say would be the consolidated holdings of the Development Company at the head of Howe Sound; and we got that from various sources before we disposed of any of it to the Railway Company or otherwise. The first was from the Howe Sound Railway. The Howe Sound property was this. (Indicating on plan marked "Exhibit 63.")

Mr. Callaghan: In black—the dark colour.

Mr. Pooley: Howe Sound is marked in what colour? A.—Blue; and the foreshore was the easterly portion marked here in patched red; and they got the part in yellow from the Dominion Government; and the Indian reserve to the north there we got, of course, from the two bands of Indians—the Iwaksuns and the Squamish. The Indian reserve marked 3? A.—Yes; and this constitutes the consolidated holdings. We got them from the Howe Sound Company, from the Dominion Government, and the Provincial Government, and from the Indians; and then having got this we carved out the portion that Mr. Callaghan required for railway purposes, and sold this to the railway under an agreement of sale; and the price put upon that property we thought was reasonable—40 acres at \$5,000 an acre; 54 acres at \$5,000 an acre; and 80 acres at \$5,000 an acre; and in looking at that property, of course, in considering the value we take into consideration that the thing which gives it its chief value is the proposed development by the Development Company, as arranged with the Dominion Government engineer, Mr. Anderson.

Mr. Pooley: That development consists of what? A.—Well, we are going to dredge all this here, and fill in the lots, and divert one of the branches of the Squamish; and this whole water-front here will be transformed and it will be a different property altogether, and that is what gives it its prospective value, and we would not sell any of that property to-day at twice \$5,000 an acre, so it is not a case of putting any enhanced price on it to the Railway Company.

Mr. Hanes: You were going to tell us this morning how much you paid the Dominion Government for the land? A.—We paid the Indians \$161,419.

Q.—And the Provincial Government? A.—\$25,000.

Mr. Taylor: So it cost you \$186,000? A.—Well, of course, there were incidental expenses and other things, but that is what we paid the Indians, and that is what we paid the Provincial Government, and the Dominion Government did not make any charge. We also paid the Province, I think, \$10 per foot for the foreshore.

Q.—How much did that amount to? A.—Oh, nothing very considerable; about \$3,000, I think.

Q.—You said, Mr. Tate, that this portion of the railway up to Block 19 belongs to the Development Company and not to the Railway Company?

Mr. Pooley: That is from the blue mark to the wharf. Yes, it belongs to the Development Company and not to the Railway Company.

Mr. Hanes: You said the Development Company were selling the Railway Company 40 acres and 80 acres? A.—Yes.

Q.—Do you remember where those are located; are they on this plan?

Mr. Callaghan: No, they are not shown on that. There is a right-of-way goes up through here; and they are not shown here.

Mr. Hanes: They are not on the plan. I understood that they were? A.—No. They are on the plan, but it does not show it exactly.

Mr. Taylor: Would you mind just showing where these 40 and 80 acres are located.

Mr. Callaghan: Well, we will get another plan that will show it better.

Mr. Taylor: And that 40 acres and the 80 acres cost \$850,000, but it is not on that plan?

A.—No.

Q.—With the foreshore; and it is not on the plan? A.—Yes, it is on the plan, Mr. Taylor, but it is not marked.

Mr. Maclean: Not subdivided.

Mr. Taylor: Have you got the other plan here which shows where the 40 acres are? A.—No, I have not got it; but Mr. Callaghan will give Mr. Hanes any plan he wishes to see.

Q.—I wish Mr. Callaghan would produce it at the next session. What is the number of this exhibit?

The Secretary: Sixty-three.

Mr. Hanes: With reference to this plan you are filing, will you state how much foreshore the Railway Company were selling to the Development Company—or did you state that? A.—No, I did not give any dimensions; but I said that property was carved out of our consolidated holdings at Squamish, and then there is a plan of proposed developments which would also go with that. We have to straighten out one of the branches of the Squamish River, and so forth.

Q.—Who paid for the engineering charges that were incurred in laying out that development property and for the railway and the docks? A.—Well, the Development Company paid for anything that applied to the Development Company.

Q.—You are sure about that, are you? A.—No, but you can ask Mr. Gamble about it.

Q.—No, I am asking you. A.—I don't know of any charges for development-work that was paid by the Government.

Q.—Did the Pacific Great Eastern Railway engineers lay that out? A.—They helped to lay it out.

Q.—Did the Development Company pay for any of the work that was done by the engineers of the Railway Company? A.—I could not say as to that, but there is always an apportionment of accounts between the Development Company and the Railway Company.

Mr. Taylor: Surely, if your Railway Company, with its head office in Victoria, paid it out for the Development Company's services you ought to know it. A.—Well, I know this: If a certain number of the Railway Company's horses were pastured on the Development Company's land, they would pay for that and there would be an interchange of accounts, and the same thing would occur, I should think, with regard to engineering services.

Mr. Hanes: Well, I was asking you that question, with your knowledge of these affairs as vice-president, whether you knew that the Development Company paid for it or not? A.—Well, I presume the thing went through in the ordinary routine. I cannot speak of routine matters that would not be in my department. That is the way it would be, though; all accounts are interchanged between the Development Company and the Railway Company.

Mr. Taylor: And if it was paid by the Railway Company it was paid by money out of these securities, by the Government? It was paid by the Government out of these securities? A.—Well, I don't know that it is fair for you to suggest these things; I can't say, because I have no particular knowledge of that.

Q.—There are a great many thousands of dollars for services and engineering fees set out in these estimates, and I understand that some of these engineering fees were for the Development Company and not for the Railway Company? A.—Well, if that is so, it is not to my knowledge. To my knowledge there has not been a dollar put in for the Development Company's work included in the estimates.

Q.—But I say, if that is so, then the Development Company's work has been paid for by the Government out of these guaranteed securities. A.—Well, if that is so, it should not be there. It would be improper.

The Chairman: Mr. Hall, you want to ask a question.

Mr. Hall: Mr. Tate, the contract between Foley, Welch & Stewart and the Government is dated February 10th, 1912? A.—Yes.

Q.—And there was a certain amount of discussion took place at that time. Was there an estimate of the cost of construction prepared at that time? A.—Oh, I think there was a rough estimate prepared by General Stewart on the back of an envelope, but there was nothing more specific than that that I saw.

Q.—Have you any idea what that amount was? A.—Well, I cannot say positively, but I know it was more than \$35,000 a mile. General Stewart was of the opinion at that time, and very strongly so, that that would never produce the road.

Q.—So that at the time when these first payments were begun to be paid out it was quite obvious to both the Railway Company and the Government that the moneys would be exhausted before the railway was completed? A.—Well, I would not put it quite so plain as that—that it was quite obvious, but that it was within the realm of probability or possibility.

Q.—But, so far as the knowledge of both were concerned at that time, it was expected it would cost more? A.—It would not have been a surprise if it had cost more, no.

Q.—Wasn't that what was expected? A.—Oh, I think it is safe to say so, yes.

Mr. Taylor: On that, Mr. Hall, right from the beginning the estimated cost of this road exceeded \$27,000,000, and the proceeds of the bonds were only \$18,000,000-odd, so there would be a deficit right from the very beginning, being the proportionate difference between the two figures? A.—We never thought that \$35,000 a mile was going to produce the road, no.

Mr. Hall: Well, then, why was it stated to the Government the reason this must be paid out in this way was that the Canadian Northern were doing the same thing? A.—Well, supposing you had been in our place, Mr. Hall, wouldn't you naturally have expected to have got the same treatment as another company was getting under a competitive contract? Wouldn't you expect that?

Q.—In spite of the fact that it was illegal? A.—No, I would not say it was illegal; because Mr. Gamble pointed out—

Q.—Well, I will put it this way: In spite of the fact that sooner or later you would have a deficit, and the road would not be completed and all the money would be out? A.—Well, it was not quite so clear as that, because if you will look at this section it says: "Having regard to material and supplies purchased for the railway as well as the proportion of the work done." Now, at the time the first estimate of the \$40,000 was put in, I suppose that Foley, Welch & Stewart would have on the ground there about \$1,000,000 worth of supplies; and this was pointed out to the Prime Minister.

Q.—Well, that was not the reason then; it was the contention of the Canadian Northern Railway having received this treatment? A.—Well, that is the only reason. General Stewart mentioned the matter to me, and said that the Canadian Northern were getting the full amount of their estimates monthly, and I said that we ought to have the same thing as far as we were concerned, and I saw Sir Richard McBride and saw Mr. Gamble—I saw Mr. Gamble afterwards about it, and the rest of the estimates came through in due course.

Q.—Well, that is open to consideration. I simply mentioned it to give you a chance to explain it. It seems to me, if that was the matter that was contrary to the Statute, having known that the Government was doing a thing that was contrary to the Statute in one case, it was held as a club over the head of the Government. A.—No, I never had such an idea in my head until you suggested it now.

Q.—You can see the force of it looking at it now? A.—Well, as I stated to the Chairman last night, I never gave the language of this section any consideration from the point of interpretation until my learned friend, Mr. Maclean, mentioned it to me the other day in the office, and said: "What do you think the effect of that language is?" And that is the first time I ever tried in my own mind to spell out what is the legal effect of it, and Mr. Maclean suggested that the language was incoherent and jumbled and could not work out any mathematical proportion. But we never said that what the Canadian Northern Company was doing was illegal, and we don't say so now, and I don't think that was a fair inference to take.

Q.—There has been a number of transactions between the Railway Company and the Development Company, but I don't propose to go over any of them; but on each one of these transactions that are covered in writing there was an ostensible profit to the Development Company? A.—Yes.

Q.—Now, in your letter of February 10th, 1917, to the Minister of Railways, which is Exhibit 60, you refer there to the fact of Foley, Welch & Stewart completing this under the actual cost price.

Q.—I took it before, from what you said, and by what you said this morning, the intention originally was that Foley, Welch & Stewart at the time they got this contract with the Railway Company—the intention was they would make a profit on the construction? A.—Yes, at these prices. They were to make these profits, but the profits were always to be turned in to the undertaking.

Q.—Well, on the documents as they stand? A.—They were to make a profit, but those profits, together with the profits in the townsite, were to be turned back into the undertaking.

Q.—Under section 4 of chapter 34, Schedule A, rather, to chapter 34, there are a number of expressions there. For instance: "The firm covenants and agrees with the Government that the Company shall and will well, truly, and faithfully acquire, lay out, make, build, construct, complete, equip, maintain, and operate," and so on. That, I take it, was the completion of the undertaking, and I am asking your view and practice as to whether the word "completion" of the said line in clause (d) of paragraph 9 of the same Schedule means the same as the summary of those words mean there? A.—Which is that?

Q.—That is the provision there; does it mean the same as the summary of those words do there? A.—Oh, I think that they have the same meaning—that is, to maintain, build, construct, and complete—and stop there.

Q.—In other words, to put it more concisely, the guarantee was intended to have a railway in running-order and equipped for business; that is, in the way of rolling stock. A.—Oh, yes. Now, if I might venture another statement in regard to this very section, the practice is not at all uniform as to how these proportional payments are to be made. For instance, if the Pacific Great Eastern had a contract in the Province of Alberta; and they had monthly estimates paid in full; and then in Saskatchewan they had a reduction made. It just depends on the latitude that would be allowed in the construction of it; and we did not think that we were exceeding the law in any way.

The Chairman: Mr. Tate, don't you think it seems strange that the Government of the Province should be paying out of the trust funds the total amount going into that road, on the basis of a contract that was fixed between Foley, Welch & Stewart—in one capacity P. Welch representing Foley & Stewart, and in another capacity Foley, Welch & Stewart. A.—Well, of course, that is the way it works out owing to the untoward circumstances that have developed on account of the war.

Q.—Well, don't put the war into it, because you admitted that was being done, and that it was discussed with the Government prior to the war. This war has got enough sins to answer for without that. A.—I don't want to be unfair, but it seems to me that if things had gone on the way they were going when we made that contract, and we had sold our townsite, we would never have had to go back to the Government, and everything would have been all right. It is just the stringency that has brought us where we are to-day; and it was never the intention that the Government should provide for this road out of the trust funds that you speak of.

Q.—No; that is not what I am getting at. I am getting at this idea: In the face of clause (d) they were paying out the full amount going into the road on the basis of the contract prices fixed between Foley, Welch & Stewart and themselves. A.—Well, that is looking at it from a very unfavourable light from our standpoint; but the fact is that the actual amount of money received by Foley, Welch & Stewart was put back into the road and disbursed by them, and there has not been one cent of profit. This statement that was referred to shows that Foley, Welch & Stewart actually received \$16,000,000-odd, and we have got disbursements here to an amount exceeding that. That is apart from the contract price altogether—money actually disbursed to sub-contractors and for material, and so therefore you can eliminate the question of actual profits. There were the prospective profits when this contract was made which were contemplated, but this statement shows that there were no actual profits made; there were no profits in fact, and every cent that they got from the Government has been disbursed as per this statement. Those are not contractor's contract prices; these are the actual cash disbursements.

Q.—Is that an exhibit there? A.—Just a moment. Mr. Welch can prove this strictly. This is his statement that I was referring to in passing.

Mr. Taylor: Couldn't we have it marked now so that we can use it?

(Statement marked "Exhibit 64.")

Mr. Taylor: Have you a copy of that, Mr. Tate? A.—Yes.

Q.—Could I have a spare copy? A.—I will get you a copy made.

Q.—Thank you very much.

Mr. Hanes: Mr. Tate, Mr. Hall was discussing with you subsection (d) of section 9 of Schedule A? A.—Yes.

Q.—Regarding this payment question? A.—Yes.

Q.—And reference was made to that being a mass of incoherent words? A.—That was my learned friend's statement.

Mr. Maclean: I say that.

Mr. Hanes: That was copied from the same section in the Canadian Northern Railway Bill? A.—Yes.

Q. And when was that put through in the Legislature? A.—In 19——

Q.—1910? A.—Two years previously.

Q.—And when was that agreement drawn up, do you know—previous to that time? A.—Which do you mean?

Q.—The Canadian Northern Pacific agreement. A.—I don't know anything about it at all. All I had to do was to take the Canadian Northern agreement as it stood.

Q.—Who was the Attorney-General at the time? A.—Mr. Bowser.

Q.—And who was the Deputy Attorney-General at the time?

Mr. Maclean: I was.

Mr. Taylor: So that the jumbled and incoherent wording took place when you were the Deputy Attorney-General?

Mr. Maclean: Yes. I am prepared to take the responsibility of it.

Mr. Taylor: That they don't mean anything, Mr. Maclean?

Mr. Maclean: Yes, yes.

The Chairman: We are not favoured with the joke at this end of the table. I did not hear that.

Mr. Maclean: I would not like to be held responsible for all the stuff that is in those Statutes. I would not be able to sleep at night if I were. It looks as if about two lines had been left out there from what had been prepared.

The Chairman: I do not get the joke at all. Is Mr. Maclean speaking officially?

Mr. Maclean: I was the Deputy Attorney-General when that Canadian Northern contract went through, and apparently this is copied from that; and I would say that three or four lines have been dropped out from some clause that probably was drafted, and that is the only way I can explain what we have here. I think, probably, it is a printer's error.

Mr. Taylor: We have got the nigger in the wood-pile, anyway.

Mr. Maclean: With regard to that statement that was mentioned, we are going to put in a statement this afternoon. We want to show what moneys we received, and we want to show what money has been paid out. We will show you that all the money that was received, and probably more, went into this concern, and that the Government has got the credit of the whole thing there to-day; and so far as Foley, Welch & Stewart getting any profit in this, they have not—that is pure book-keeping and pure myth. They have not received a cent of profit.

The Chairman: Well, that is marked as an exhibit.

Mr. Hall: Well, this brings up this point. Possibly I had better mention it in view of what Mr. Maclean has said. The fact is that the P.G. Eastern Development Company controls practically all those strategic points along the Pacific Great Eastern Railway line? A.—Well, we endeavoured to.

Q.—And that is a separate company entirely from the Pacific Great Eastern Railway Company? A.—Yes, but the same personnel.

Q.—But a separate entity. A.—Yes.

Q.—But we will assume, for the purpose of argument, that if the Government took over the Pacific Great Eastern Railway they would be met at once with the Pacific Development Company, which would be in a position to hold them up? A.—Well, of course, they have a mortgage on their holdings at the present time.

Q.—On which only \$1,000,000 has been advanced? A.—Yes. You could resort to whatever legal rights you have. There is no doubt about that; but I would make this final statement in

this respect; that we have kept things in *status quo* from the time that we first came on the ground, and if it was so desired we could hand back to the Government everything that they gave us inside of twenty minutes. The stock is still controlled by the firm, and then the only question would be, did the money we got from the Government go into the road? And then we can satisfy you as to that, and the things are to-day just as they were three or four years ago, and we have not disabled ourselves from restoring the *status quo*. There has been no intervention and everything is just as we got it. The thing is just in the same packet as we got it.

Mr. Taylor: Mr. Tate, with regard to this last Exhibit 64, which Mr. Welch is going to prove, it shows an expenditure now in the actual construction of the road of \$16,524,307.66, whereas the Government has paid out \$18,246,979.44? A.—Yes.

Q.—Now, you have been talking about all the Government's money going into the road? A.—Yes.

Q.—Well, there is Mr. Welch's statement as to what has gone into the road, and it is approximately \$2,000,000 less than what the Government has paid out. A.—Yes; and the balance is made up of payments for right-of-way, No. 1; No. 2, engineer's expenses; and No. 3, executive expenses; and that brings it up to the total amount received from Mr. Gamble as shown in the estimates.

Mr. Davis: I may say the statement here is merely a statement received from the contractors; but that will all come out when Mr. Welch goes in.

Witness: Those three items I have given you will embrace the difference.

Mr. Taylor: The heading in this exhibit, so as to have a clear understanding of it, is—it was prepared March 21st, 1917: "Memorandum of cash disbursements in connection with construction of the Pacific Great Eastern Railway; equipment turned over to the Pacific Great Eastern Equipment Company, and financing the Pacific Great Eastern Development Company. Limited, out of proceeds of Estimates 1 to 45, both inclusive, \$16,422,262.42 cash." That, I would take it, includes the financing of the Pacific Great Eastern Development Company. Limited. A.—Yes. Moneys advanced for that purpose.

Mr. Hanes: I understood you to say this was money that went into the railway? A.—No.

Mr. Taylor: He said Mr. Welch would prove that.

Mr. Hanes: Well, I understood Mr. Tate to have said that.

Witness: No, I say that that money was disbursed for the undertaking. I am using the word "undertaking." Is there anything else that you want to ask me?

Mr. Maclean: No, I don't think so.

Mr. Taylor: There are just one or two short things I want to ask you about. You in your general statement referred to the Grand Trunk Pacific going back to the Government several times for money? A.—Yes.

Q.—You, in respect to the P.G.E.R. Co., went first to the Government and got \$35,000 a mile? A.—Yes.

Q.—That was in 1912? A.—Yes.

Q.—Then you went, secondly, to the Government in 1914 and got an additional \$7,000 a mile? A.—Yes.

Q.—And you went, thirdly, to the Government in 1916 and got a loan of \$6,000,000? A.—Yes.

Q.—So you were following in the footsteps of the Grand Trunk Pacific pretty well, weren't you? A.—Well, that was necessitated by conditions.

Q.—You were to produce your Orders in Council, Mr. Tate, showing your capitalization, which was raised to \$40,000,000. That was dated the 22nd day of September, 1914.

Mr. Maclean: That was an Order in Council?

Mr. Taylor: An Order in Council signed by the Minister on the 15th day of April, 1914.

Mr. Thomas: Will you just allow me to correct you? The exhibit you were speaking of just now was the Minister's certificate, and it is covered by an Order in Council.

Mr. Taylor: Yes, that would be correct. The Minister's certificate is first and the Order in Council next. I see what you mean. The Order in Council is the same date and was passed on the 22nd September, 1914. It is increasing the capitalization from \$25,000,000 to \$40,000,000.

The Chairman: Was that stock issued? A.—Not the \$15,000,000.

Mr. Taylor: The agreement I filed last night shows that the agreement between the Pacific Great Eastern Railway and Foley, Welch & Stewart is that the stock shall be issued as fully paid-up shares to Foley, Welch & Stewart.

The Chairman: I wanted to know if it was actually issued? A.—No.

Mr. Taylor: Now, the next is Exhibit 65, that I will file now as a matter of reference for the benefit of the Committee. I will get a book showing the prices paid by the Canadian Northern Pacific Railway to their main contractor, which is found in the Journals of the Legislative Assembly of 1916, at the bottom of page 85, and extending over pages 86 and 87. It is a very valuable book.

Mr. Pooley: Have you also found the Grand Trunk Pacific prices?

Mr. Taylor: I have not been able to; I would like to.

Witness: We can find them.

Q.—They are in the Proceedings of the House? A.—I say we will find them for you if you wish.

Q.—Can you get them in the Ottawa blue-books? A.—No; the prices that Foley, Welch & Stewart got from the Grand Trunk Pacific.

Q.—Are they in any returns to the House of Commons? A.—Oh, I don't know anything about that.

Mr. Maclean: That is marked as an exhibit?

Mr. Taylor: We will have to get an extra copy and mark it as Exhibit 66. Would you mind getting an extra copy? A.—Well, here is the Grand Trunk Pacific prices. I can put this in.

Mr. Pooley: What page is that? A.—The prices are in Schedule A.

Mr. Taylor: What pages, please? A.—Pages 9—page 9 and the following pages—13, 14, and 15.

Q.—Prices received by Foley, Welch & Stewart from the Grand Trunk Pacific? A.—Yes, from Prince Rupert to Copper River; and here is another from Tete Jaune Cache to Aldermere.

Mr. Pooley: Just let us get this one marked. This will be Exhibit 68.

Mr. Maclean: And this is the price that they received from where? A.—This is the Grand Trunk Pacific contract—from Prince Rupert to Copper River, B.C., 100 miles; and from Tete Jaune Cache to Aldermere (Exhibit 68), 415 miles.

Mr. Taylor: Where is Aldermere?

Mr. Callaghan: That is on the Chechaco?

Mr. Taylor: What page is that on that last exhibit? A.—It will be the same page, pages 13 and following.

(Books marked "Exhibits 67 and 68.")

Mr. Pooley: I would like to draw the Secretary's attention to the fact that there are some loose pages in Exhibit 67 and they should be bound together.

Mr. Taylor: Now, on the basis that you were speaking of to the Chairman that the Government moneys went into this road, and paid for every mile that has been built in the construction of it, if the price had been lower there would have been more miles built with the same money, wouldn't there? A.—Well, but there would have been less adjuncts to the undertaking, and the undertaking as a whole would be less valuable to the bondholders of the Government.

Q.—If there had been a competitive price, and it would have been lower, say, such a price as the Canadian Northern built their road at, there would have been more miles built with the people's money? A.—Yes, but there would have been more money lost on it. We could not produce that road at the Canadian Northern prices. They had the C.P.R. to bring in their supplies to them right along, parallel to them.

Q.—Well, take their prices up from the Thompson River and away on through up to Tete Jaune Cache, weren't they lower than yours? A.—Those prices compare favourably with ours.

Q.—You don't suggest for a moment that they compare with yours, do you? A.—Yes, that is what Mr. Callaghan says.

Mr. Pooley: That is on the North Thompson? A.—Yes.

Mr. Shatford: And how do they compare with the Grand Trunk Pacific prices? A.—Just about the same.

Mr. Hanes: Would you suggest from North Vancouver to Squamish was not an easy access? A.—Well, we have not built that, Mr. Hanes.

Q.—Well, I would suggest that the first forty miles was accessible at every point by boat? A.—We have not built that yet.

Q.—You have not the money for it? A.—No.

Mr. Taylor: By the way, that is something that has been overlooked. You have actually received \$35,000 a mile for those two strips of thirty miles each that have never been built as yet? A.—They are not built yet.

Q.—And you have actually received the \$35,000 a mile? A.—We have received the total of the guaranteed securities.

Q.—Worse than that—\$42,000 a mile? A.—Yes.

Q.—So that there is about thirty miles from White Cliff to Squamish and another thirty-miles some place beyond Squamish not yet touched, but for which you have actually collected from this Government \$42,000 a mile? A.—Well, there are sixty miles that have not been touched.

Q.—And you have been paid the whole money for that? That is a pretty good business transaction. A.—Well, I know, but you have to judge all things by the concurrent conditions.

Mr. Pooley: If the money did not go into that particular section it would go into another. A.—The Company has given good value, and if you have a longer mileage you would have a less number of these strategic points that Mr. Hall referred to.

Q.—I say that you have got this money for those sixty miles that have never been touched? A.—Yes.

The Chairman: Was there ever an estimate prepared of what that Howe Sound Company built in miles? A.—Oh, yes, I think there were their estimates made out. Their estimates were very high. They wanted, I think, about \$2,000,000 to begin with—

Q.—I did not ask you about that. I was asking you if there ever was an opinion submitted as to the actual cost of construction per mile? A.—I think so.

Q.—Well, can you tell me what those are? A.—Well, I should have to look up the original letter of Mr. Keith, in which he mentions those figures. Can you get that, Mr. Thomas, for me?

Mr. Thomas: Yes.

Mr. Taylor: Now, Mr. Gamble allowed you \$189,000 for that mileage? A.—Yes.

Q.—That was at the rate of \$27,000 a mile, and you collected \$42,000 per mile for that and all those other miles that you have not built yet? A.—Well, we had to build that railway.

Mr. Pooley: That railway there was a logging-railway? A.—Yes. We had to reconstruct it, and there was the ballasting and surfacing and track-laying.

Mr. Hanes: Of that same piece up in that Squamish District? A.—Yes.

Q.—Do you mean that? As a matter of fact, I thought, on the other hand, that you had abandoned it. A.—No; there was a part that we got from them; we abandoned part of it, which is not being used at present, but the part we used we had to reconstruct.

Mr. Davis: Was there any of that seven miles that you abandoned? A.—Yes; anything that we are not using.

Mr. Hanes: The part that you did build new to take the place of what you abandoned increases the mileage by going out around to this Indian reserve which you purchased from the Indians, did it not? A.—It may do so.

Q.—I am asking you that question? A.—Well, I don't know anything about those things; Mr. Callaghan would know that.

Q.—And that property that you have spent your money to build that new road around the reserve is the property of the Pacific Great Eastern Development Company, Limited, and the moneys that you have spent for roundhouses and yards, you have spent it as a Railway Company on property belonging to the Pacific Great Eastern Development Company? A.—That is what we got those lands for—for roundhouses.

Q.—I am asking you if the Railway Company did not spend that money on the Development Company's property? A.—It is not the Railway Company's property until they pay for it. The Railway Company has an agreement which has been registered, but they have not got the deeds yet.

Q.—Yes; but isn't the property in the name of the Development Company? A.—Yes, until they get their purchase price paid.

Q.—And I say that the Railway Company built the tracks and yards on the Development Company's property? A.—Well, when they pay for the property they can have it.

Mr. Pooley: They can get it? A.—The Railway Company has need to purchase, yes.

Mr. Taylor: That 40 acres at \$800,000 you consider is worth that? A.—Yes; it took us two or three years assembling that property, and that is worth a great deal more than the original disbursements. If you tried to buy some of that property at \$10,000 per acre you could not get it.

Mr. Hanes: Mr. Tate, do you mean to state you could get \$10,000 an acre at the present for that land around the station, around the yards, and the roundhouses? A.—I mean to say that we would not undertake to sell you an acre of it under \$10,000 an acre. That land at Squamish is far more valuable than the land at Point Grey that sold for \$10,000 an acre, and you will see the truth of my words before many years are over.

The Chairman: We would like to have that statement in, that has been referred to. It is an estimate by Mr. Gamble of the cost of mileage.

Mr. Pooley: That will be Exhibit 69.

Mr. Taylor: I see that Mr. Gamble's estimate of those 7.6 miles is \$193,068.62. It is practically seven and a half miles, and he arrives at that by allowing the same price for clearing—\$150 an acre—that is in P. Welch's estimate. I will not take up all the prices; and the same price—\$300 an acre—for grubbing. I presume the other prices are also on the same basis. But still it is only \$193,068.62 for seven and a half miles, which is less than \$27,000 a mile.

Mr. Pooley: Will you just tell us the character of that work as far as the construction is concerned? A.—At Howe Sound?

Q.—Yes. A.—Oh, it is of a very primitive kind.

Q.—Well, the nature of the country, what is it like? A.—I thought you meant the construction of it.

Q.—When you went through there, was it heavy or light construction? A.—Very, very heavy as we went through.

Q.—For those seven miles, I mean? A.—Oh, it is very light—that is, through Squamish Valley. There is no heavy work there at all.

Mr. Taylor: But you would prefer to have Mr. Callaghan speak to you about that? A.—Yes.

The Chairman: I notice here that the track-laying is put at \$400 a mile. That is the same as the C.N.R. if I recollect right.

Mr. Hanes: The price in this case was \$750. A.—Mr. Welch can testify to those prices.

Mr. Taylor: Now, track-laying would not differ in price with the nature of the country, would it? A.—Well, you will have to ask Mr. Welch about that.

Q.—What is that? A.—I don't know about that.

Q.—A track-laying machine goes on the grade and keeps on laying and pushes the tracks ahead of it, no matter what kind of ground it is, and how do you account for the difference in the price per mile between that and the sum allowed by the Canadian Northern? A.—Well, there might have been a lot of preliminary preparation that would have increased the cost.

Q.—However, you would prefer this other gentleman to speak definitely on that? A.—Yes, undoubtedly.

Mr. Taylor: That is all as far as I am concerned.

The Chairman: Thank you, Mr. Tate.

(Witness aside.)

Mr. Taylor: Now, Mr. Chairman, I think we can shorten this inquiry if the gentlemen of the Committee agree with me. It strikes me, for all possible purposes, the evidence of Mr. Tate would be sufficient on many of the subjects that should be investigated. He is the chief executive officer and the chief administrative officer of the Company, and the one best qualified to speak; and hence I would suggest that the following subjects be closed or practically closed: First, the alleged overpayment of \$5,704,316.10. On that you have Mr. Tate's evidence and all the documents that have been filed, which surely ought to be complete, and the auditor's report. The second subject would be the \$85,521.92 claimed by Mr. Tate. The auditor claims it to be \$94,000 or something of that sort, being the balance not yet returned by Foley, Welch & Stewart in respect of the moneys deducted from the bonds in London. The proceeds of the bonds in

London have not been paid into the bank account pursuant to Statute, and I think all the evidence necessary has been put in on that subject. The third would be the \$163,000 overpaid on the mileage. The moneys were paid out on the basis of there being 480 miles, whereas the mileage was only 476.01. There can surely be no more contest on that subject in view of what has taken place. (4.) The payment by the Province of the interest which the guarantors, Foley, Welch & Stewart, have defaulted in on their guaranteed bonds in the amount of \$1,053,827.27, and I would suggest that there should be no further contest over that. The evidence is in and Mr. Tate has been clear and explicit on it. (5.) The issue of \$24,960,000 of shares of the Pacific Great Eastern Railway to Foley, Welch & Stewart and associates contained in the first agreement, and then the second agreement whereby the \$60,000 of the original subscription of \$100,000 was remitted to Foley, Welch & Stewart. I take it that this subject has been fully exhausted now, and all the evidence to prove it which can possibly be given has been given, and there only remains for the Committee to decide whether it is a proper transaction or not. (6.) The letting of the contract to Mr. P. Welch without competition; and coupled with that, the admissions we have had this morning for the first time—namely, that Foley, Welch & Stewart and P. Welch were one and the same thing in respect of that contract; that it was, in fact, a contract with Foley, Welch & Stewart in the name of P. Welch. That is admitted, and I submit that it is unnecessary to waste time in taking further evidence on that subject. (7.) That the contract was let without specifications being in existence is also proven, as far as there is any reasonable necessity for proving it. The contract on its face stipulates that those things should be fixed afterwards. (8.) That Foley, Welch & Stewart refuse to guarantee their own steel, of \$1,250,000; and by various letters filed they have taken the position that they cannot proceed to finance this contract or make good their guarantee. That is established now, I submit, by many letters; one letter of Mr. Welch and several letters of Mr. Tate, the most important of which was the long letter filed last night; and it is unnecessary to take further evidence on that. (9.) The violation of sections 110 and 118 (by the Pacific Great Eastern Railway) of chapter 194 of the "Railway Act" extending not only to P. Welch, but to John W. Stewart and Timothy Foley. That matter is now established, I think, or is established as far as it is necessary to establish it, by the admission of Mr. Tate this morning. The various contracts which were entered into by this Company—not only the contract as to construction, but other contracts as to shares, and the like—are all affected by this admission. I think it is sufficiently established to enable your Committee to form whatever conclusion you think wise to form. (10.) The bond given by the Pacific Great Eastern Company to the Government for the due carrying-out of the construction of this road pursuant to the requirements of the Statute in that behalf of \$250,000, and as to the lapsing of the same, is all ready before you as fully as it is possible to make it. (11.) There is one other subject-matter that is not yet fully dealt with, but it has been very largely dealt with, and that is the question of the amount of inspection that the Government saw fit to employ whilst Foley, Welch & Stewart, in the name of P. Welch, were carrying out this contract-work. That I will take up in connection with the last subject-matter. Also (13) the subject-matter—

Mr. Maclean: Just wait a moment; it is twelve you are speaking of now.

Mr. Taylor: Twelve was the inspection.

Mr. Maclean: No, that is eleven. Now, are you dealing with subjects not fully dealt with?

Mr. Taylor: Well, that is the only subject that is not fully dealt with. It has been largely dealt with, and it would be perhaps better if I had not mentioned it. (12.) The next subject which has been fully dealt with, and the last one that I shall mention, is the fact that it has been established by admission that approximately twenty-seven or thirty miles of railway from Squamish to White Cliff, and further mileage of about the same amount beyond the Squamish, has not yet been touched by way of construction, but \$42,000 per mile in respect of the same, amounting to about \$2,265,000 has been received from the Government by the Pacific Great Eastern Railway. These subject-matters will leave the only one subject (outside of the question of finishing the subject of inspection) to be dealt with as I have viewed the scope of this inquiry. But the subject matter not yet dealt with is a very important one, and one which I think will take three or four days to go into. For instance, there are the details of the actual carrying-out of the contract-work, the prices, the handling, the classifications, and whether or not they have been honestly and properly handled, and whether or not undue profits have been allowed, and all that sort of thing, that is within the scope of the subject-matter yet to be dealt with; and that

will also include the filing of all profiles, cross-sections, data of engineers—that is, resident engineers, district engineers, and chief engineers, and correspondence and things of that kind. That is, as you will see, one general subject-matter; but I take it that those other twelve subject-matters, excepting perhaps the eleventh one mentioned as to inspection, are sufficiently covered, and should be considered as complete. If your honourable Committee will agree with that, it will very much shorten up the scope of this inquiry, and will get this matter before the Legislature at an earlier date than it otherwise would.

Mr. Pooley: Well, Mr. Chairman, it seems to me that that is a suggestion which might come from opposing counsel; but I do not think this Committee would contend that we should shut off any further evidence or explanation on these matters that may be offered. The time, of course, may be material as far as the Committee is concerned, but at the same time I think the main contention is that we should get in all the evidence possible; and if there is any explanation that opposing counsel wish to offer to any of the evidence that has gone in, we should accept that. This, I think, is rather an unheard-of suggestion—to shut out any opportunity to explain.

Mr. Taylor: That was not my suggestion at all. I assumed that opposing counsel would agree to what I suggested, and, if they don't they can go right ahead. I was really merely throwing out this suggestion in the hope that counsel might adopt the same view.

Mr. Pooley: But you closed it by saying that the Committee should deem the matter closed.

Mr. Taylor: I did not mean it in that way.

Mr. Pooley: Then, your suggestion, I take it, is merely a suggestion to opposing counsel, and you don't wish the Committee to rule that the evidence already in is final.

Mr. Shatford: What about any member of the Committee disagreeing with that suggestion?

Mr. Taylor: If any member of the Committee disagrees with what I have said, then the evidence must be further proceeded with. This was simply a suggestion.

Mr. Farris: The suggestion of Mr. Taylor is: He thinks, on behalf of the Department, that the evidence along the lines he has mentioned sufficiently covers the subject-matters mentioned for the purpose of this inquiry.

Mr. Taylor: That was merely a suggestion.

Mr. Shatford: The only thing is this: that some of the members of the Committee have not been present at all of the proceedings, and we have not had the evidence before us to read over carefully, and it may be necessary to have some of the evidence confirmed later.

Mr. Taylor: It is very easy to do so if necessary.

Mr. Maclean: Well, I would think, if my learned friend is satisfied in his own mind with what he has done so far in his own case, as we do in many cases, then he would close his case and leave it there.

Mr. Taylor: I have not any case to make out or close. I am just simply to see that the proper evidence is brought before the Committee—that is my part in this inquiry.

Mr. Davis: As far as I am concerned, I have very little evidence indeed to put in. I don't know how far the evidence which has gone in covers it, but I have no doubt what little evidence I may want to put in, the Committee will not object to it; I quite agree on a great many of the subjects dealt with by Mr. Taylor, that they have been largely exhausted, but the suggestion that we can put in anything we wish, and that we will be at liberty to do so, that covers it, because I think we are all anxious to shorten things.

Mr. Taylor: That is all that I have in mind.

The Chairman: I do not think we should make a hard-and-fast rule at this stage that everything else should be shut out on those points, but there is a great deal of the evidence that has been put in that seems to be quite sufficient for our purpose.

Mr. Taylor: What is the use of producing different men who will simply duplicate what Mr. Tate has said? As a matter of fact, it is a compliment to him that he has covered everything so thoroughly.

The Chairman: I think the Committee will be disposed to accept the intimation of the Department subject to anything the counsel may wish to put in, if they were not satisfied with the explanation given on certain points.

Mr. Shatford: Or any member of the Committee.

The Chairman: Yes.

Mr. Pooley: Well, the only reason I made that statement was because of your concluding remark.

Mr. Taylor: I am very glad you did make it, because I would have left myself in an unfair light.

Mr. Hall: Well, just along the line that Mr. Taylor has suggested, having summarized those points, would it be well to summarize some of the transactions between the companies, because we have not only got to inquire into the transactions of the Railway Company, but also its relations with the Development Company, and a certain amount of evidence has been given in that way.

Mr. Taylor: That is the only summary that I have prepared. I thought it covered in a general way the more important things to be inquired into. You might add, of course, to that another paragraph, but I think that that would necessitate further evidence as to the earnings and possible earnings of the road as shown by the report of Mr. Gamble and Mr. McKenzie: I did not include that because I thought there would be further evidence on that subject.

Mr. Hall: I refer more particularly to the Development Company.

The Chairman: Well we may have to consider that in our report.

Mr. Hall: I thought, Mr. Taylor having made out these different headings, it would probably be convenient to have these other matters summarized in that way.

Mr. Hanes: As I understand it, this Committee are at perfect liberty to inquire into any of these affairs and report on them, and we can report on anything with regard to the relations existing between the Railway Company and the Development Company.

The Chairman: Yes, that is right.

Mr. Taylor: I would suggest, before going into any other matter, that we adjourn. I intend to call Mr. Callaghan as my first witness, and we will take that up at the next session.

The Chairman: Yes, there is no use breaking into it now.

EIGHTH SESSION.

THURSDAY, March 22nd, 1917.

The Committee of Inquiry herein met pursuant to adjournment at 8.30 p.m.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, L. W. Shatford, R. H. Pooley.

Counsel present: S. S. Taylor, K.C., appearing for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing for the Pacific Great Eastern; E. P. Davis, K.C., appearing for Foley, Welsh & Stewart.

The Chairman: All right, Mr. Taylor, have you got your witness ready?

Mr. Taylor: Yes.

JOHN CALLAGHAN, being duly sworn as witness herein, testifies as follows:—

Direct examination by Mr. S. S. Taylor, K.C.

Q.—Your full name, Mr. Callaghan, please? A.—John Callaghan.

Q.—You are the chief engineer of the Pacific Great Eastern Railway Company? A.—Yes, sir.

Q.—And have been since its inception? A.—Yes, since its inception.

Q.—Prior to that time in what employ were you? A.—In the Grand Trunk Pacific.

Q.—Whereabouts? A.—At Fitzhugh; that is in the mountains—at the summit of the Rocky Mountains—close to the summit of the Rocky Mountains.

Q.—How long had you been on the Grand Trunk Pacific construction? A.—I think, about nine or ten months.

Q.—All in British Columbia? A.—Yes.

Q.—And what position did you hold there? A.—Divisional engineer.

Q.—Divisional engineer at Fitzhugh? A.—Yes.

Q.—All the time? A.—Yes.

Q.—Who was the chief engineer over you there? A.—Kelliher.

Q.—And prior to that what experience or training had you as an engineer? A.—Oh, I was practising at it for about twenty-eight years.

Q.—You are a graduate engineer, I presume? A.—No.

Q.—You have been railroading all the time? A.—Yes, railroading.

Q.—Had you ever acted as chief engineer before? A.—Yes, in 1903.

Q.—Whereabouts, Mr. Callaghan? A.—Here in Vancouver, in connection with this V.V. & E., or the V.W. & Y., in fact.

Q.—That would be the Great Northern interest? A.—Well, the Saint Paul Company was handling the construction of it.

Q.—How long were you handling that position? A.—Oh, probably six months, or something like that.

Q.—And with those two exceptions you had not acted as chief engineer before? A.—No, I had not acted as chief engineer. I had been in charge of the construction of the C.P.R. on the Western lines from 1905 to 1909, both inclusive.

Q.—Had you been in the employ of Foley, Welch & Stewart, or anything they were interested in, before that? A.—Yes.

Q.—When? A.—I went to work for them in the first of the year, 1910.

Q.—Whereabouts? A.—In Manitoba.

Q.—In what capacity? A.—I was looking after their various contracts with the C.P.R. and C.N.R. in Ontario and Western Provinces.

Q.—In what capacity? A.—As superintendent.

Q.—Is that the only time that you had acted for them or worked for them? A.—That is the only time. I was with them from 1910 and part of 1911.

Q.—Were you on the Canadian Northern construction-work? A.—Not in the employ of the Company; I was for Foley, Welch & Stewart.

Q.—That is the time you were referring to? A.—Yes.

Q.—But not for the Canadian Northern? A.—No.

Q.—Have you been on the C.P.R. work? A.—Yes, I have been on the C.P.R. at various times since 1895.

Q.—In what parts of Canada? A.—British Columbia, Ontario, Manitoba, Saskatchewan, and Alberta.

Q.—All construction-work? A.—Yes.

Q.—And with this exception that you have referred to, not before, I suppose, in the Grand Trunk Pacific? A.—Yes, I was on the Grand Trunk Pacific in 1904; I think, possibly, from February until September.

Q.—Whereabouts? A.—In Alberta.

Q.—And in what capacity? A.—I was locating engineer.

Q.—The location engineer? A.—Yes.

Q.—Under whom—Mr. Kelliher? A.—Mr. Van Anda.

Q.—So that you started this Company's work at what time—the Pacific Great Eastern Railway? A.—I think it would be in April, 1912.

Q.—1912? A.—Yes, about the 1st of April was when I arrived here.

Q.—I see. You were employed by whom at that time? A.—Mr. Welch—well, Mr. Stewart had mentioned my coming here some time previous, but he was ill at the time, and at the time I came here I had an interview with Mr. Welch and Mr. Foley.

Q.—Mr. Foley is not here, though, is he? A.—No, but I met them down East, down in St. Paul.

Q.—And what month did you actually enter the Pacific Great Eastern as distinct from Foley, Welch & Stewart? A.—At that time.

Q.—April, 1912? A.—Yes, 1912.

Q.—That would be, I will tell you, while the provisional directors were controlling the Company? A.—Yes.

Q.—What were your first duties? A.—Locating the line from Vancouver to—well, in fact, from here to Lillooet. Well, that was not the first work—no, the first work I took was on the North Shore.

Q.—In the nature of location? A.—Yes, preliminary work.

Q.—And you concerned yourself first with your first reconnaissance-work, and then with your location-work? A.—Yes.

Q.—And you employed for that, I suppose, varying staffs from time to time? A.—Yes.

Q.—The construction-work commenced when? A.—Well, I think it would be in October, 1912—in October or November.

Q.—Now, your duty—the first thing you did in your location-work was to prepare your route-map, I suppose? A.—Well—

Q.—Did you prepare a route-map? A.—Well, we did not finally decide on the route until—oh, well, several months, of course, later; possibly almost a year later. I guess it would be a year later before we had definitely determined where the road would go.

Q.—And you did not prepare a route-map at the start? A.—No.

Q.—But you determined it would go up the Squamish? A.—From Squamish to Lillooet. There was no question about the part from Squamish to Lillooet.

Q.—Now, when did you first prepare a route-map—I will put it that way? A.—Well, I cannot remember, not personally, but it would be on file.

Q.—Have you got the route-map here? A.—Well, I don't think it is in the building yet; a lot of maps are being shipped, coming over to-day, and they are shipping some things by to-night's boat.

Q.—I am sorry for that; I thought everything was here. A.—But I can furnish a map which is the route to-day. I can give you a map which is the route to-day.

Q.—We can possibly get along with that in the meantime. Have you got your right-of-way map here; that is, does this map that you are furnishing show your right-of-way? A.—No, it is simply a small-scale map.

Q.—A small-scale map? A.—Yes, it is a mile to an inch.

Q.—Have you a map showing the right-of-way from one end of the road to the other?

A.—Yes.

Q.—Have you got it here? A.—No, I am afraid they are not here. I think they are on the ship that is coming to-night.

Q.—To make sure, I want that right-of-way map. What do you call that? A.—That is right—the right-of-way map or the location plan.

Q.—That shows the whole line, does it, from Fort George? A.—From Fort George to Vancouver (indicating plan produced).

Q.—Do you mind just taking hold of one end of it and spreading it out? Is this the road as it is actually located now? A.—Yes, that is the road as it is actually located and built now.

Q.—That is the Fort George end that you have there? A.—No, this is the Vancouver end. This is not located there (indicating on map).

Q.—Is that the fixed location? A.—Yes. It has been established on the ground.

Q.—That is from White Cliff to Squamish? A.—Yes.

Q.—It was established on the ground? A.—Yes.

Q.—It was staked out? A.—Yes.

Q.—But no work was done between White Cliff and Squamish? A.—No.

Q.—Now, looking at this—let me see, what is that—miles? A.—Yes, that is miles.

Q.—Looking at Mile 45? A.—From the Second Narrows.

Q.—What is this—3848? A.—That is from the Trout Lake Summit. That is on the first summit.

Q.—It establishes the zero? A.—At this summit.

Q.—As you always do in locating, and work down? A.—Yes.

Q.—So we will deal in mileage; at Mile 45 you have the acreage that was bought from the Development Company by the Railway Company? A.—Yes.

Q.—About how many acres? A.—I think it was in the neighborhood of 12 or 13-odd acres, something like that.

Q.—I mean, bought from the Development Company by the Railway Company? A.—Yes.

Q.—Whereabouts is that, does it show here? A.—Well, it does not on this map.

Q.—This is really too small a scale for that? A.—Yes.

Mr. Hanes: Do you know where the Development Company bought the 1,100 acres there?

Mr. Taylor: No, that is a mistake; the acreage the Railway Company bought he will produce another map to show it? A.—Yes.

Mr. Taylor: You will see that that map gets here? A.—Yes.

Q.—Now, this is Mile 45 again? A.—Yes.

Mr. Maclean: How do you have two "Miles 45"?

Mr. Taylor: There is a break—it ties on.

The Secretary: Is this the first location-map you have?

Mr. Taylor: This is the final. He has not got the first location-map here.

Mr. Taylor: Now, start in at Mile 45; which is Squamish—what sort of country did you go through from that up to Cheakamus, Mile 55? A.—From one-half mile north of the crossing of Cheekye Creek we began to get into rock-work.

Mr. Pooley: What mile is that? A.—That is about Mile 53 from Vancouver.

Mr. Taylor: Now, up to Mile 53—or at Mile 53 you began to get into rock-work? A.—Yes.

Q.—From that down to Mile 45—namely, Squamish—you had what kind of country? A.—Oh, it is comparatively light.

Q.—What do you mean by light? A.—That the work was very moderate—light.

Q.—No rock-work? A.—Very little.

Q.—Level ground and not very much bush? A.—It was comparatively level; of course, there is bush. It is timbered, but some of it has been logged off. There are heavy stumps, and it was a heavily timbered country; my recollection is that before we entered upon it it had been logged off.

Q.—Yes, but you would not call it a heavy clearing land? A.—No, not extremely heavy.

Q.—What would you say about grubbing? A.—Well, it is heavy grubbing.

Q.—But not heavy clearing—that is, up to 55. Now, from 55 on where shall we go to next—say 65, or if you wish take another one? A.—Well, that is practically all virgin timber there that has never been touched. It is heavier timber.

Q.—That is in the rock section, is it? A.—Yes.

Q.—You had rock there? A.—Yes; I may say practically all the way from Mile 53.

Q.—To what place did you have rock-work? A.—Well, you might say right through to Lillooet—that is, it predominates.

Q.—Very well, we will just find it here.

Mr. Maclean: Seton Lake. You want Lillooet.

Mr. Taylor: How many miles would that be? A.—That would be 100 miles, approximately.

Mr. Maclean: Here is Lillooet.

Mr. Taylor: It is beyond Seton Lake? A.—Yes.

Q.—Lillooet is Mile what? A.—This is the mileage here.

Mr. Maclean: 160—oh, that is 120 from that break, is it?

Mr. Taylor: It does not make any difference, anyway. It is the light line—about Mile 162.

Mr. Maclean: From the Second Narrows? A.—Yes.

Mr. Taylor: Take the rock-work along Anderson Lake and Seton Lake, it is very heavy daylight cutting there, isn't that so? A.—Not all of them.

Mr. Maclean: Daylight cuts, did you say?

Mr. Taylor: Yes.

Mr. Maclean: What does that mean? A.—There is a mountain and it blows out down the hill—

Mr. Maclean: You blow out the triangles, is that what you mean?

Mr. Taylor: That is the idea, that is the most profitable kind of railway-construction work?

A.—No, I would not say that.

Q.—What would you say? A.—Well, there is good and bad mixed in with it.

Q.—What would you call bad rock-work? A.—Boulders and granite-work.

Q.—That is, loose rock? A.—No, not necessarily.

Q.—Well, boulders and granite rock? A.—It is a matter of judgment.

Q.—I am referring to the location of the work and not the class of rock. You will agree with me that the class of rock does not make bad contract-work—not so much so as the location of the rock-work. For instance, if it is a saddle thorough-cut, or if it is a thorough-cut without being a saddle-cut, that is bad; and if you have a long haul to make the fills, that is bad work. You cannot get the stationmen to do it. A.—You would not get it done as readily, because it is not so accessible. Of course, with side-cutting, you can get along on the side of the excavation and you don't have to work to the end particularly.

Q.—But this other work is more difficult? A.—Yes.

Q.—The daylight-cut-work is the kind of work a stationman will take hold of? A.—Yes.

Q.—And a stationman will not go into work where he has to get a plant in? A.—Yes, it all depends on the price.

Mr. Maclean: If he makes the money he will go anywhere.

Mr. Taylor: Now, along Seton Lake and along Anderson Lake, that is good work from a stationman's point of view? A.—A stationman would readily look after it? A.—Yes, along Anderson Lake it is generally good work.

Q.—Although it is solid rock? A.—Yes.

Q.—There are heavy daylight cuts there, but the heavier it is the better, because they get so much a cubic yard. As a matter of fact, the more profitable work is rock-work, if you get the rock laying right, in railroad-construction. A.—Yes, if you get a sufficient price, certainly.

Q.—A railroad contractor would far rather build through a heavy rock side-hill country than out in the prairie, because he would make more money from a contractor's standpoint, wouldn't he? A.—Of course, there would be more money involved in this work according to its length. Sometimes out on prairie-work it is very heavy, and if you go out with a proper plant you might make more money there than in the mountains.

Q.—Now, as a matter of fact, that is not correct. Take Ontario as compared with British Columbia. The prices are higher down in Ontario than they are in British Columbia—considerably higher, and the mountain-work is far more profitable. You have worked in Ontario? A.—Well, I have seen work done under contract there.

Q.—Where the labour is cheaper, still the prices are higher compared with here? A.—Well, they were not higher on work that I was engaged on.

Q.—You know from your experience, though, I am stating the fact? A.—I know generally, speaking of the rock-work I have seen in Ontario, it is rather difficult to handle.

Q.—And more expensive than the British Columbia mountain rock-work, isn't it? A.—Well, of course, there are all kinds, and it depends on the situation of the rock-work, and how cheaply you can land your plant on it and get your men and supplies on it. But work in Ontario that is accessible either by water or by rail, there is no comparison as to the cost of doing that than there is to a piece of work up in the mountains where you have to haul up steep hills and build expensive roads. It is all so different.

Q.—Still, as a matter of fact, the work in Ontario is more expensive than mountain-work, isn't that so? A.—Well, you can get on to the work much better.

Q.—Well, I say, even under those favourable conditions in Ontario, and the prices are higher down there than they are here, it is more profitable here; will you deny that? A.—I don't know that.

Q.—Will you deny it or dispute it? A.—I don't know.

Q.—Will you deny it or dispute it? A.—I don't know.

Q.—You have not had a contract in Ontario? A.—I say that the work I was on in Ontario, the prices on that particular work were not good. Of course, it is a different thing there. This was in the Rainy Lake District.

Mr. Hanes: How did they compare there?

Mr. Taylor: How did they compare there in the Rainy Lake District? A.—There was a big rock borrow of a million and a half yards—something like that.

Q.—Then you had quite a haul? A.—Yes.

Q.—Did you have over a 500-foot haul? A.—Yes; there is money in hauling if you are equipped to do the hauling.

Q.—The haul is 500 feet as a rule, and for that you get 1 cent or 2 cents a yard? A.—Yes.

Q.—And you think there is money in that? A.—Yes, there is money in hauling.

Mr. Hanes: Is there money to be made on the G.T.P. for 1 cent? A.—It depends altogether on the means you have to do the hauling with. If a man had to haul with a wheelbarrow or a wagon there would not be money in it; but if he had a standard-gauge railway to load it on, and heavy cars, there would be money in it.

Mr. Taylor: That means it depends on the size of the work. If you have work large enough to justify that plan you would make a profit? A.—It depends on whether you can get a plant in there. There are lots of places where it would be suitable to have it; but there are lots of places where you would not be able to have it, and you would have to adopt the more primitive means.

Q.—But regular boring is not profitable work, is it? A.—Yes.

Q.—It is not profitable work where you waste rock and you don't have to handle it?
A.—No; usually the waste rock is not profitable, because you cannot get paid for waste. They would not let a contract to you to waste rock.

Q.—Let me explain it to you, because you know it is very frequently done. If you have, say, \$1 a cubic yard for solid rock, for doing one hundred miles, and if you have twenty miles in that work like Anderson Lake and you get \$1 a yard, and the powder does the work and blows it out into the lake, isn't that more profitable than where you have to make fills out of it? It is a dollar a yard in every case? A.—If you get a contract to blow the rock out into the lake and don't have to handle it, it would be better, and it would be more profitable; but those conditions don't exist on a railroad. A railroad is not laid out with a view to creating conditions to make waste; it is to avoid it.

Q.—The P. Welch rate was a profitable price from one end of the line to the other?
A.—Yes.

Q.—No matter what kind of a country it was in? A.—Yes.

The Secretary: But how could you tell what this road was like if you did not locate it until a year afterwards? A.—We did not know. That is one of the chances you take.

Q.—How did they establish the rate on it? A.—That is based on their judgment.

Q.—How can you establish it if you don't know what country it is going in? A.—Well, you know in a general way that the line is going from Vancouver to Fort George, and the country is partly traversed by roads, and in a general way you would know what the country was like.

Mr. Taylor: But you had not made a reconnaissance survey? A.—Well, I had travelled from Fort George down to Clinton when I was with the Grand Trunk Pacific.

Q.—On a train? A.—On the river and on the road, and I knew in a general way the character of the country.

Q.—I thought you told us that this line from Squamish to Lillooet—this line was laid out from Lillooet first? A.—There is no question that we have to follow the lay of the land along the streams. I said there was no question, between Squamish and Lillooet, as to where the road would have to lay, and that had already been surveyed by the Howe Sound & Northern Company.

Q.—Did you have their profile? A.—Yes.

Q.—And you had their field-notes? A.—Not at the preliminary location.

The Secretary: You did not have them when you established the prices, did you? A.—We did not have them till after the purchase was agreed on.

Mr. Hanes: That purchase was agreed upon a long time after the contract was let?
A.—It was, was it?

Q.—Well, I am asking you the question. A.—I know that we did not get them till after Mr. Tate had made arrangements to purchase the Howe Sound & Northern.

Mr. Pooley: You are giving that as a matter of evidence?

Mr. Taylor: Do you remember when that was? A.—I think it was in October, 1912.

Q.—October, 1912. What I was dealing with was between 53 and Lillooet—what sort of timber was there there, where there is timber? You say it is largely a rock country. What sort of timber was there necessitating clearing, and how heavy was it between 53 and Lillooet.

A.—Generally speaking, it is heavy clearing.

Q.—That is heavy Coast timbers? A.—It is fair. The trees would not be as large as those on the Coast, but along the Birkenhead River and Green River it is fairly large.

Mr. Pooley: What is the miles?

Mr. Taylor: 53 to 162. It was his own choosing. He says it was largely rock-work.

Mr. Pooley: That is a long stretch. Why not shorten it?

Mr. Taylor: Would it be more convenient for you to adopt Mr. Pooley's suggestion and take out shorter mileages—from 55 to, say, 162? It is a long stretch there; or can you speak of it conveniently from 55 to 162 without dividing it into smaller sections? A.—From my general experience it would be heavy clearing.

Q.—Along Anderson Lake would you have to do any clearing at all? A.—Yes.

Q.—And along Seton Lake? A.—Yes.

Q.—And any grubbing? A.—Yes.

Q.—But that would be only on one side of the right-of-way? A.—No, it would be on both sides.

Q.—As a matter of fact, do you clear in heavy rock-work even before you do your rock-work? A.—Yes.

Q.—And do you grub in heavy rock-work or simply cut the timber off? A.—You would grub where the grubbing would occur in shallow fills or shallow cuttings, of course.

Q.—Not in heavy cuttings? A.—No.

Q.—That is, as a matter of fact, along there, and along the canyons leading from this river down to 53, and beyond the Squamish, there is a lot of that that would be heavy rock-cut that would not require grubbing. A.—Not where the cutting is heavy.

Q.—But I say there is a lot of heavy cutting? A.—Yes.

Q.—Now, what proportion of that area, say, from 53 to 162 would be heavy rock-cutting? I say heavy rock-cutting—what proportion? A.—I presume probably 50 per cent. of it, something like that.

Q.—Now we will go beyond Lillooet. You can take any section you please now. I want you to speak of the nature of the rock from Lillooet going north. A.—Well, from Lillooet to Kelly Lake—

Q.—That is from Mile 162 to Mile 196—about 198, wouldn't it be, or 197?

Mr. Maclean: Does the water flow from Kelly Lake down to Clinton? A.—Well, there is water there from this river that flows in this direction. There is the head of the stream and it runs down this way.

Mr. Taylor: Now, from Mile 162 to 197, what is the nature of the rock-work? A.—There is some very heavy rock-work there. There is some very heavy work through mixed material.

Q.—Is there much tunnel-work? A.—I think there are four tunnels in this district.

Q.—These heavy marks here mean tunnels? A.—No, these are sidings.

Q.—Sidings? A.—Yes.

Q.—You don't indicate the tunnels on this plan? A.—No.

Q.—Four tunnels of about what length, do you remember? Don't give me the number of feet in each tunnel, but approximately the total length of all tunnels; that is the better way. I am not concerned with the number of tunnels; it is the length we are after. A.—Well, of course, I don't remember exactly. That is shown on the estimate. It is possible it may be 1,100 feet, or something like that amount—1,100 or 1,200 feet.

Q.—Tunnelling is profitable work as a rule, isn't it? A.—Sometimes.

Q.—As a rule, I say, it is looked upon as good contract-work? A.—Yes, assuming you get the price.

Q.—Well, assuming you get the price in this case, it would be looked upon as good work? A.—Just moderate, I would say, considering the remoteness of the work from where you would get your supplies, and considering the means of getting them in there. I would consider it very moderate.

Q.—Well, now, we are speaking of Lillooet, where there are good wagon-roads leading all the way along throughout that distance? A.—There are very little roads. There is a fifty-mile haul before you get to the place at all, and it is a rough mountain road.

Q.—And aren't those roads good, leading from Lillooet? A.—No, it is a very bad road.

Q.—And Pavilion? A.—That is very difficult. There is a 25-per-cent. grade there.

Mr. Maclean: If you have ever been over there you would know that. I happened to be over that; that is common knowledge.

Mr. Taylor: It is very heavy.

Mr. Maclean: It is like climbing a mountain.

Mr. Hanes: What is the nature of the clearing between Lillooet and Clinton? A.—Oh, it is just moderate; it would not be called heavy.

The Secretary: What do you mean by moderate, Mr. Callaghan? A.—Well, it is between very light and very heavy. It is mixed.

Q.—What percentage would run light and what percentage would run heavy? A.—Well, what I have in mind there is none of it very heavy; the timber is generally scattered. The trees are not growing so thickly along there.

Mr. Taylor: It is in the Dry Belt, isn't it? A.—Yes.

Mr. Hanes: Isn't there very considerable sage-brush through that country? A.—Yes, there is some; and some of it there would not be any clearing needed, and then there would not be any payment for clearing.

Mr. Taylor: Mr. Maclean remarks that we have been over that country, most of us; isn't it fair to say that is an extra light clearing country between Lillooet and Clinton? A.—Yes, it is not heavy. There are not many trees there; it is like hen's teeth—few and far between. There is some clearing between Kelly Lake and Clinton.

Mr. Pooley: You don't mean to say it is heavy clearing all along that line? A.—No, there are places where there is no clearing at all.

Mr. Hanes: Did I understand you to say you did not pay for any clearing in that sage-brush country? A.—No.

Q.—Well, I would ask you that now? A.—If there is any clearing to be done it is paid for.

Q.—Well, I wanted to know if you stated there was not any clearing paid for in that sage-brush country.

Mr. Taylor: Was there any clearing paid for where there was sage-brush? A.—I doubt it, but I would not say positively; but if there was any clearing to be done it was paid for. The only place where there would not be any clearing would be where there was prairie land which was free from any clearing.

Q.—Would you give the clearing prices here for sage-brush country? A.—I don't think there is any of it that would be free from trees and where there would be only sage-brush.

Q.—And when you did pay for clearing you paid for it at \$150 an acre? A.—Yes.

Q.—And grubbing at \$300 an acre? A.—Yes, certainly. There was no other way out of it.

Q.—You had no other alternative? A.—No.

Q.—This is for the benefit of the stenographer. Clinton is Mile 208; that is right, isn't it? A.—Yes.

Mr. Maclean: Is that from the Second Narrows here? A.—Yes, that is from the Second Narrows; 209 I think is what we call it.

Mr. Taylor: You establish your zero at the Second Narrows, Vancouver? A.—Yes.

Mr. Hanes: I want to ask Mr. Callaghan if he paid for any clearing in the Dry Belt, where it was sage-brush, at the rate of \$150 an acre? A.—Well, I really cannot say.

Mr. Taylor: Why can't you say? A.—If there was nothing else but sage-brush, no; but I really don't think there was any condition like that existed where there was only sage-brush.

Mr. Shatford: Well, who would know whether there was sage-brush?

Mr. Maclean: Yes. Sage-brush between Clinton and Lillooet.

Mr. Taylor: That is the question.

Witness: There is no condition like that there, I know there is not.

Mr. Hanes: I know the country myself, and I am just asking you if you paid for clearing at \$150 an acre, where there is just sage-brush? A.—Wherever there was any clearing to be done we paid for it.

The Secretary: If there was one acre you would pay for the clearing?

Mr. Hanes: That question will arise later, and I just wanted to know if you could tell us if you paid for clearing where there was sage-brush? A.—We paid for clearing wherever there was any class of clearing to be done. If there was any clearing to be done we paid for it.

Q.—At \$150 per acre? A.—At the contract price, certainly.

Q.—How would you classify clearing—a country covered with trees or partially covered with trees—and what else? A.—I would not call it clearing if there was grass. But take where there was any trees or any shrubs, that is clearing; sage-brush would be clearing. Anything that needs to be cleared before you go on with the construction, that would be considered clearing and would be paid for as such.

Mr. Hanes: Do you say sage-brush would be clearing, and would be paid for at the rate of \$150 an acre? A.—Yes, if it was to be cleared; if it needed to be cleared.

Q.—Is that the position you take for this Company? A.—Yes. If there was any clearing to be done we would pay.

The Chairman: How about grubbing?

Mr. Taylor: Just tell me why is grubbing necessary. We will get that first; perhaps some of the gentlemen will know. A.—Well, if the stumps were lying close to the subgrade they would interfere with the proper surface of the track, and the tie would be held up by the stump.

Q.—It would hold it up out of place? A.—Yes; you have to take it away from the grade. The idea is to get the stumps taken away 2 feet below the finished grade.

Q.—To prevent a slide? A.—To prevent an uneven track.

Q.—And what else is grubbing?

Mr. Maclean: Well, do you mean outside of railroad matters?

Mr. Taylor: No, I mean about this railroading. I have quite enough of grubbing to do here without going outside. We are only grubbing in this railroad.

Witness: Any stumps that require to be removed—of course, that is grubbing.

Mr. Taylor: Is there anything else that would be grubbing on this railroad? A.—No.

The Secretary: What was the clearing, Mr. Callaghan?

Mr. Taylor: Well, he has to find that—just pardon me, Mr. Anderson. It was anything requiring to be cleared.

The Secretary: Well, what did you require to do? Did you require to burn them? A.—Yes.

Q.—And it required the removal of all logs? A.—It required the disposal of them in some way. You burn them if you can.

Mr. Taylor: That is, if it is required by the engineer? A.—Yes.

The Chairman: You cut them down? A.—Yes.

Q.—Would that be the same in the case of sage-brush? You cut it down and afterwards grub it? A.—Well, there has been no condition like what you mention on the line. There has not been any place where the sage-brush grows in that way.

The Secretary: Take, for instance, the clearing that is specified; it would be where logs were left around? A.—Oh, there has been quite a lot of logs left along the railway that would have to be disposed of.

Mr. Taylor: Did you pay for that at \$150 an acre as clearing? A.—Yes.

Q.—Why? A.—Because we wanted the use of the logs for timber.

The Secretary: Only in that event? A.—Yes, only in that event.

Q.—But they were absolutely removed and would be cleared away? A.—Yes; and if we did not need them they were burned up afterward.

Mr. Taylor: Has that actually been done? A.—Well, there have been logs that have not been burned, but they have not all been picked up yet.

Q.—And which you did not use for timber? A.—Well, no, they are not used yet.

The Secretary: But before they were absolutely removed you would pay for the clearing? A.—Well, all the clearing is paid for, because that was all done that was required to be done. It was all done with the exception of piling up those logs and cutting them into suitable lengths so that they could be put in order to haul them away. It is probably just as expensive to do that as to slash them down and burn them.

Mr. Hanes: Well, your specification called for the removal of logs, stumps, etc. What meaning do you put into that, or what is your opinion as to the meaning of the removal of stumps? A.—It means just what it says.

Q.—Does it mean that the stumps are to be removed? A.—Yes.

Q.—How many, or what nature—all of them? A.—All that is required to remove to carry on the work of grading.

Q.—I am asking you as the chief engineer what you mean in your specifications with regard to clearing where it says that it shall include the removal of piles, stumps, and they shall be burned. What is the meaning of the removal of stumps? A.—The removal of stumps would be those that would be grubbed out from the road-bed. That is what that would mean.

Q.—Well, the price is \$300 for grubbing, isn't it? A.—Yes.

Q.—Isn't that sufficient to take care of the removal of the stumps? A.—Yes, that is part of the work. The grubbing is part of it.

Q.—Well, I want to get that cleared up. You say in grubbing you remove the stumps. Now, what I asked you was if the removal of the stumps would come under the clearing heading. What I ask you is, is it not a fact that your specifications say that clearing shall include the removal of logs and stumps? A.—Well, that means the removal of the stumps after they are grubbed out, or in case there might be a standing-up root of a stump there to be removed.

Q.—Well, in case they are grubbed out, I would ask you if the price of \$300 an acre does not include the removal and disposing of any stumps that would be there? A.—Yes, anything that requires to be disposed of.

The Secretary: On the right-of-way? A.—Yes, unless, of course, the contractor has the right to put them over on some other land.

Mr. Taylor: I think Mr. Hanes is getting at this point. You give \$150 for clearing and \$300 for grubbing. Now, does the removal of stumps come under the heading of grubbing or clearing—the removal of stumps, he means? A.—Under both.

Q.—When you were paying for the removal of stumps, under which heading would you pay for it—under grubbing or clearing, or both? A.—Grubbing them out of the ground.

Mr. Hanes: Well, I asked you this question. Your specifications for clearing say that you will remove logs and stumps. A.—Well, if there were burned stumps lying around you would have to clear them.

Mr. Pooley: Stumps that you did not have to grub out in the first instance. A.—They might be in the way.

Mr. Taylor: You mean fallen trees? A.—Or anything that might be needed to be removed.

Q.—Well, as a matter of fact, is this right-of-way cleared? Have you burned up all the logs and removed all the stumps around there? A.—The logs are burned except what they desire to have reserved for use.

Mr. Pooley: They are cut into lengths? A.—Yes, they are cut into lengths and piled up.

Mr. Taylor: Throughout the whole width of the right-of-way? A.—Yes, the stumps are all removed out of the section of the road-bed.

Q.—Now, we stopped at Clinton before, which is Mile 208 or thereabouts—209. Now, I want to know about the rock-work from Clinton on. Where do you run to? A.—From Clinton to—

Q.—I just want to get some general classification—not too fine dimensions? A.—From Clinton in to this vicinity.

Q.—That is from Mile 209 to about 213. A.—Yes. There are some rock-cuttings there.

Q.—Some what? A.—Some clearing; solid rock and some boulders and some gravel.

Q.—And from Mile 213—take any section you like and give me the class of country, and give me the rock-work and clearing that would require to be done? A.—Well, that is what we call poor work, cemented material and buolders.

Q.—Good railroad work? A.—No, very bad work.

Q.—No profitable work? A.—No.

Q.—Because there is not very much rock-work in it, is that the reason? A.—Well, there are boulders and a hard cemented material.

Q.—Hard-pan and that sort of thing? A.—Yes. It is a very hard indurated clay and gravel and boulders there.

The Secretary: I don't understand how you based your prices on the whole line if you did not have the proper location at the time you established these prices. A.—Oh, that is very often done, when a man knows the general nature of the country and where this line is going to be built. There are lots of railroad contracts let before any survey is made whatever; just from one's experience, people know what it is worth to do the work.

The Secretary: Well, what lines would you mention who would go in there before any survey was made at all? A.—Oh, take the line from Jennings, Montana, up to the Morrison Mine. Part of it is in Canada and British Columbia.

Mr. Taylor: That is the Great Northern line? A.—Yes.

The Secretary: Do you know of any Canadian roads?

Mr. Taylor: Just a moment. Didn't Guthrie have that whole work on forced account? A.—He possibly did.

Q.—So it did not make any difference to him what country it went through? A.—No.

Mr. Hanes: Now, you were the chief engineer at the time this contract was let, weren't you? A.—Yes.

Q.—Did you have anything to say in the letting of the contract? A.—No.

Q.—Did you recommend that the contract should be let without tenders? A.—I did not have anything to say about it. I was not consulted in the matter at all.

Mr. Taylor: Mile 213 from some point—you said was indurated clay and mixed stuff and boulders? A.—Yes.

Q.—From what vicinity? A.—From Clinton right to Williams Lake.

Q.—That is Mile 213 to Williams Lake. Now, where is that? A.—It is Mile 315. Of course, there will be some spots in there which will be rock-work.

Q.—But you have given a general description of the country? A.—Yes.

Q.—Now, what about the clearing between those two points? A.—It is very heavy clearing.

Q.—Well, isn't that all in an irrigation country? A.—Well, there is some irrigation down in places there—down in the valleys.

Q.—Well, I mean it is all country that has irrigation through there, where they stake water rights upon the streams, like Lac la Hache and thereabouts; there cannot be very much timber through there? A.—Yes.

Q.—What kind of timber-clearing would you call it? A.—I would call it heavy timber-clearing.

Q.—But not heavy compared with Coast clearing? A.—No, but it is a thick growth.

Q.—A thick growth in hard clay? A.—Yes.

Mr. Maclean: Cement it is called.

Mr. Taylor: There are small-sized trees there. Very seldom you get a tree over 14 inches to the butt. A.—Well, the greater part of them would run like that.

Q.—Well, Williams Lake is 315 or thereabouts. Now, will you start at Williams Lake and take any section you like and give a fair description of it, going from Williams Lake on, and give me the rock and clearing. Mile 315 to what? A.—From there to Soda Creek.

Q.—Soda Creek will be down here? Here it is about Mile 340. A.—Yes, there are twenty-odd miles, but a great deal of it is side-hill work and the clearing in places is light and heavy mixed.

Q.—But the side-hill clearing is light? A.—No, there is some rock there.

Q.—Is there a great deal of heavy rock-work in there? A.—Well, some of it is heavy.

Q.—Is it good contractor's work or not? A.—Yes, it is fair.

Q.—It is good profitable work and the clearing would be about the same as from Clinton to Williams Lake; it is the same general nature? A.—I think so. It might run a little heavier.

Q.—Soda Creek, which is Mile 340—take another section now that you can fairly describe? A.—On from Ten-mile.

Q.—It is very much the same nature.

Mr. Taylor: It is about the same as from Clinton to Williams Lake? A.—I think it is.

Q.—And now what about the rock; what kind of work is it—rocky work? A.—Some light and some heavy work.

Q.—The light work would be earth-work? A.—Some of it, yes.

Q.—And the heavy rock-work? A.—Yes, there was some heavy rock-work.

Q.—What proportion of heavy rock-work, would you tell us? A.—I don't know that I could say without having my files here.

Q.—What would you say about that section, good work or bad work? A.—Some of it is good, and some of it is bad.

Q.—What proportion good, would you say, on that stretch? A.—Well, I think most of it is, the greater proportion of this.

Q.—And good means profitable always—402. Now, Mile 402, going from that point around the switchback, how would you say? A.—Farther on into Fort George it is commonly called heavy clearing.

Q.—Heavy clearing, consisting of timber of what size; surely you don't want to compare it with the Coast clearing? A.—No; there is quite a growth of trees, however.

Q.—All light-size trees, are not they? A.—Generally speaking, yes.

Q.—And not very thick? A.—They are fairly thick growth.

Q.—And what about the grading of the work; is that rock or earth-work, or what? A.—There is considerable rock and a great deal of clay.

Q.—What would you say about it from the contractor's point of view from this Mile 402 into South Fort George? A.—I would call it good work.

Mr. Taylor: Good profitable work? A.—Yes.

Mr. Hanes: What is the nature of the soil that is removed? A.—It will run largely to loose rock and hard-pan.

Q.—What proportion? A.—Clay would predominate.

Mr. Taylor: Rock and hard-pan? A.—That is, the estimates would show that.

Mr. Hanes: Are there very many boulders in there to be removed? A.—Generally speaking, not; it is a hard indurated clay, a great deal of it.

Q.—What is it that you call this rock? A.—Some of it clay, some hard clays; they classify as loose rock.

Q.—I am asking you what you called this rock, according to your specifications? A.—Well, according to the specifications, I would call certain hard clays, loose rock, and call some of them solid rock, a certain percentage of it.

Q.—I was not asking you that, in particular; I was asking you according to the specifications. Well, I will ask you what proportion, then, do you judge that this loose rock is on that section—just roughly? A.—I could not say without referring to the estimate, but I can say that it is hard clay material.

Mr. Maclean: Properly classified as rock?

Mr. Taylor: You mean that you classify hard clay as solid rock under your specifications? A.—Yes.

Mr. Maclean: More difficult to deal with than rock.

Mr. Hanes: And some as loose rock? A.—And some as loose rock.

Mr. Hanes: Under those specifications? A.—That is the common practice to do that.

Q.—I was not asking you whether it was the practice, but what you did in regard to the specifications? A.—It is the same as any other railroad; there is no difference in the practice.

Mr. Taylor: This is the classification here; clause 22 of Exhibit 4 reads as follows: "Solid rock, all stone or boulders, found in excavations measuring more than 27 cubic feet, and all solid quarry-stone requiring blasting in order to move it shall be termed solid rock." Now, how do you get hard clay into that? A.—It is necessary to do that to cover the cost of that nature of the work; it is the common practice in railroad-construction.

Mr. Hanes: I think you are making a very broad statement there.

Mr. Maclean: Well, if you gentlemen would let the witness give his evidence, and these gentlemen can give evidence afterwards.

Witness: I would like to see the contract and the specifications.

Mr. Taylor: Well, if you don't mind, I will take that up with you later; I think it will be better than here, if you have made a statement and we will get that now; the specification I have read as to what is solid rock. Now, you said hard-pan on account of its hardness should be considered, or hard clay to be considered as solid rock? A.—Yes.

Q.—Now, I read you 24, which is hard-pan, for which a settled price is given in your contract: "Hard-pan will include material, not loose or solid rock, that on account of its own inherent hardness, and in the judgment of the chief engineer, cannot be ploughed with a 10-inch grading-plough behind a team of six good horses, properly handled, and without the necessity of blasting, although blasting may be occasionally resorted to." A.—Yes.

Q.—Don't you think that would include your clay? A.—No; I think it would depend on the price that was being paid for it; if it could not, then you would have to allow a percentage of solid rock to make up what would otherwise be a loss.

The Secretary: That has nothing to do with the contract price, Mr. Callaghan? A.—That is the practice.

Q.—That does not matter at all; that has nothing to do with the establishment in your specifications of certain material.

Mr. Taylor: You say here is earth for which you have a certain price, and that will include clay? A.—Yes.

Q.—Is not earth such hard material that can in the judgment of the chief engineer be ploughed with a 10-inch grading-plough behind a team of four good horses, properly handled, and of earthy matter, or earth containing loose stones or boulders, etc.? A.—The specifications are not made to break contractors, but to keep them within reasonable limits.

Mr. Hanes: Are you swearing to that now? A.—Certainly.

Q.—What you said? A.—Yes.

Q.—Will you read the specifications for loose rock, Mr. Taylor, please?

Mr. Taylor: I have read solid rock and earth; loose rock is 23: "Loose rock shall include all kinds of shale rock, soapstone, and all hard stones and boulders measuring more than 1 cubic foot, and less than 1 cubic yard, and all loose rock, whether *in situ* or otherwise, that

may be removed by a pick or bar without continuous drilling or blasting, although blasting may occasionally be resorted to"; those are the four classifications.

Mr. Maclean: Are you putting that in as an exhibit?

Mr. Taylor: Yes, that will be an exhibit.

Witness: The map, I mean—

Mr. Taylor: The map will be Exhibit 70.

(Marked 70.)

Q.—What sections, Mr. Callaghan, have not yet been touched by way of opening up grading-work between White Cliff and Squamish; how many miles between White Cliff and Squamish?

A.—I think it is twenty-nine miles.

Q.—And what other section? A.—In the vicinity of Horse Lake Summit there is remaining, I believe, possibly eight miles.

Q.—What mileage is Horse Lake Summit? A.—That is forty miles north of Clinton.

Q.—Is the eight miles there? A.—Yes, approximately.

Q.—Approximately eight miles? A.—And in the vicinity of the 100-Mile House, between the 100-Mile House on the Cariboo Road and Lac la Hache.

Q.—How much? A.—Somewhere around eleven miles.

Q.—Eleven miles? A.—Something like that, yes.

Q.—And where else? A.—That is the only grading.

Q.—So that will be nineteen miles in those two places, approximately? A.—Approximately.

Q.—I understood it was more than that from some letters; you are sure now? A.—Well, there has been some of it finished since those letters were written; I think some, during the past summer.

Q.—I see—just simply opened up or actually done? A.—Some of it is finished during the past summer.

Q.—How many miles are in such partial finish on this line from one end to the other, outside of the twenty-nine miles and the nineteen miles that you have already given us? A.—Oh, I don't know exactly; there might be two miles or so in the vicinity of Horse Lake just partly done.

Q.—That would be the whole thing on the whole line only partially done, two miles? A.—I said the ninety miles that is only partially done.

Q.—Not the whole line; I mean outside of the twenty-nine miles and the nineteen miles?

A.—I would say there is round two or three miles around there that is partly done.

Q.—And that would cover all that is partly done on the whole line, including those other miles that I have mentioned? A.—Yes.

Mr. Hanes: How much track is laid, Mr. Callaghan? A.—Well, there is fourteen miles, Clinton, fourteen and 167—that would be 181; and about thirteen miles on the north shore; 194 miles practically, or something like that.

Q.—And the balance is only partly done.

Mr. Taylor: No track at all.

Mr. Hanes: Just graded, or partly graded? A.—Yes.

Mr. Taylor: And the ties; in order to provide the balance of the mileage between 480 miles and 194, are the ties provided for? A.—They are partly.

Q.—How much of the ties are provided for? A.—I think, between Fort George and Quesnel; say between Fort George and South Creek. My recollection is that something like 160,000 ties made, delivered on the railway; of course, that can be shown by the records.

Q.—How many ties to the mile are required on a completed track? A.—2,800 to the mile.

Q.—So that there are twenty-nine miles and nineteen miles not graded, two miles partly graded, 194 miles with rails laid, and 282 miles with no rails laid, and no ties laid, some ties provided; that is right is it? A.—I think, approximately.

Q.—You see it is important from the standpoint that the \$42,000 per mile has been drawn for all these miles; that is the reason we are asking you. I would like for you to produce your profiles; have you got them here? A.—Yes.

Q.—The completed profiles; that is, the profiles of the completed road. Some person is getting them? A.—Yes.

Q.—Have you got the profiles for the whole road? A.—Yes.

Q.—And completed profiles for the part where the grade is completed? A.—Yes, sir.

Q.—Showing the line that is actually done? A.—Yes.

Mr. Hanes: Are those ties paid for that are delivered, that the Company paid for, on their right-of-way? A.—Yes, those are, that are between Soda Creek and Fort George.

Q.—That is 160,000 approximately? A.—Yes, something like that.

Q.—At 50 cents apiece? A.—Yes.

Q.—How much did those ties cost you? A.—I don't know.

Q.—What percentage of culls were in that 160,000 ties, just roughly speaking? A.—I could not say off-hand.

Q.—Well, just roughly? A.—I do not think there is many culls; anyway, there would not be many.

Q.—10 per cent? A.—Oh, probably more than that?

Q.—15 per cent? A.—Possibly.

Q.—And do you take anything, except first-class ties? A.—Oh, yes.

Q.—And accept the culls as well? A.—Yes.

Q.—And allow the contractor 50 cents apiece? A.—Yes.

Q.—And you allow Welch 50 cents apiece, but not the men who cut the culls anything? A.—Yes; I think they are paid for; every tie that is received is paid for.

Q.—The usual thing is to go through a man's pile and cull out the culls, and he gets nothing for those; that is the usual practice in railroading? A.—No; oh, no, Mr. Hanes.

Q.—How much does the stationman usually pay for the culled ties to the man that makes them? A.—There would not be much difference in the price.

Q.—Well, roughly? A.—There might be 2 cents apiece, or something like that; there would not be much difference in the price for culled ties.

Mr. Taylor: Let us have that definitely, Mr. Callaghan, so that we will not have any dispute about it in the future; how did you cull the ties that were cut for you by the tie-makers; what was the regular practice? A.—They would be inspected according to the specifications for the ties.

Q.—Now, why did you cull them? A.—Because they didn't meet the specifications.

Q.—Then, what did you do with them after you culled them; those that didn't come up to the contract specifications, what did you do with them, with the tie-maker? A.—He would be paid for them, whoever he had the contract from.

Q.—How much would he be paid for them? A.—I don't know that; I have never seen the prices that were being paid for ties.

Q.—Why cull them if you are going to use them in your road-bed, anyway? A.—There has to be some rule to pass upon the ties.

Q.—A rule for using them, or paying for them? A.—To show the number that met this specification, and also to show the number that do not.

Q.—But if you use them in the road-bed, then what is the use of having an inspection? I should think it would be unnecessary, or for the fun of it—if you used them in the road-bed they would be an appropriate-size tie, meaning appropriate dimensions, properly hewn, or sawn, as the case may be. A.—They were all in proper and good condition.

The Secretary: That is, the culls? A.—Yes.

Mr. Taylor: Why did you cull them? A.—Because they don't meet these dimensions; they are good ties.

Q.—And the culling is something to satisfy your curiosity, and for no particular purpose? A.—It gets a better average lot of good—or large ties, possibly; that is, it keeps the general average of the ties up as high as possible.

Q.—However, we can take that as correct, that all culls were nevertheless used by P. Welch in this work? A.—I would not say that.

Q.—Practically all? A.—All that were good ties would be used.

Q.—I say, practically all culled were used by P. Welch in this work? A.—There were a great many ties that are there yet.

Q.—Over the areas where he has completed his road-bed he has used practically all the culls, where he has laid his road-bed—take these areas. A.—I think that I have it here. The ties could be of a character—they would not be culled, you know, and they would not be counted; and whatever culled ties are taken into the railway, that is a good tie; it is not a tie unfit for use.

Q.—I say, culled ties were used by P. Welch in the road-bed where the road is laid?
A.—Yes; in some side-tracks.

Q.—Practically all of them? A.—Yes, wherever they were taken; most of the culled ties received are in the material-yard at Lillooet now.

Q.—And where he paid reduced prices, P. Welch got 50 cents a tie?

Mr. Pooley: There are three classes of ties, I understand; how are they classified?

A.—There would be the ties that would be imperfect—

The Secretary: It is specified in the specifications, Mr. Callaghan.

Witness: The specifications show what will be No. 1 and what will be No. 2, and a culled tie.

Mr. Taylor: You are producing the profiles, Mr. Callaghan? A.—Yes; they are not here yet.

Q.—I am not going to open them up; I want them here for the purposes of the Committee. As long as you say you are producing the whole road-bed; we will have them marked as exhibit—that will be Exhibit No. 71.

Mr. Maclean: What are you putting them in for if they are not going to examine on them?

Mr. Taylor: The Committee may want to use them. You see, there are two engineers on the Committee, and they will go over those profiles, which will speak for themselves.

The Secretary: That is the profile plan of the lines to Fort George? A.—Yes.

Mr. Taylor: Will you produce now, Mr. Callaghan, all the returns that you received from your resident engineers and divisional engineers by way of field estimates. Are those the estimates there? A.—He has gone for them.

Q.—Whilst we are waiting for those estimates, will you say that the estimates that you turned into the Government engineer which have been filed as Certificates 1 to 41, and the other Certificates, as to the "Loan Act"—will you say that they correspond and will check up with the field estimates received by you from the divisional engineers and the resident engineers?
A.—Yes.

Q.—Did you change any of the specifications after these field engineers or resident engineers classified? A.—Not as a—I think there was one instance where I changed a classification that was on some work in the vicinity of Ten-mile Lake.

Q.—To what extent of work? A.—Well, we were making adjustments in the classification of that whole work, from Fort George down to the lower end of lake, and on one sub-contractor's estimate it appeared to me that Mr. Stoner, the divisional engineer, had made too great a reduction in the classification from what it had previously been.

Q.—What sub-contractor was that? A.—That was Burns, Jordan & Welch.

Q.—What mileage did they have there? A.—Well, I could not tell you; they had from the Cottonwood River.

Q.—I mean, what mileage did they have that you made the change in; that is what I really mean? A.—Well, that is two years ago now, and I would not know.

Q.—About, approximately? A.—It was somewhere on the work, anyway, between Cottonwood River and Clinton.

Q.—About what length of line would that be? A.—Somewhere round thirty miles, something like that.

Q.—What was the result of the change that you made in the classification, over the resident engineer or divisional engineer; how many thousands of dollars did it mean? A.—I could not say it offhand.

Q.—Approximately, approximately? A.—Well, I could not really say that, not now.

Q.—Then, will you produce— A.—I will have to recall the incident, and I could not say just now what it would be; but we have the details, and they are here, so that it can be seen. (Mr. Stoner, you are familiar with the estimates.)

Q.—May I ask, Mr. Stoner, have you produced all the resident and the divisional engineers' field estimates? A. (Mr. Stoner)—Yes.

Q.—Every one? A.—Do you want to look at the estimates now?

Q.—No; I want to have them looked at, as a matter of fact, but not now.

The Secretary: Do you want them filed as exhibits?

Mr. Taylor: Yes; and I want to say, Mr. Chairman, that I want an auditor to go over it between now and Monday. I have arranged for an auditor. That will be Exhibit 72.

Mr. Maclean: What are these—divisional engineers' estimates?

Mr. Taylor: Yes, they are signed both by the divisional and the resident men. The resident man really produces them, and the divisional man who is here checks them; that is the proper practice.

Q.—Am I correct in that, Mr. Callaghan, that the resident engineer really makes them, and the divisional engineer checks them, and then they are sent into the head office? A.—Yes.

Mr. Maclean: Checked by the divisional engineer and then come into Mr. Callaghan's office.

Mr. Hanes: Isn't it a fact that the divisional engineer sometimes instructs the resident engineer as to what classification to use? A.—Oh, he does; it is the intention that he will do that all the time.

Q.—That is, it is the intention for him to do that? Yes; oh, yes.

Q.—That is, he will look at the ground, and he will size it up, to himself, and instruct the resident man as to how he shall classify that ground? A.—Yes.

Mr. Hanes: He, of course, will follow out his instructions along the line of the construction? A.—Oh, yes.

Q.—And in fairness to the parties who are doing the work? A.—Yes.

Mr. Taylor: But if he thinks a man is making an unusual profit he would not instruct him to cut it down? A.—No, not unless the contractor had been advised in advance.

Q.—You mean, the stationman, or sub-contractor, the man doing the work? A.—The contractor, not the stationman.

Q.—When you say the contractor, you don't mean Pat Welch? A.—I mean the sub-contractor.

Q.—The man doing the work? A.—The man actually doing the work.

Mr. Hanes: If he was, in the case mentioned, getting unusual prices, you said you would change the classification so that he would get less? A.—Yes, if the man had been told that his profits would be limited to some sum, in the neighbourhood of some sum.

Q.—Then, if some of the sub-contracts were limited, the sub-contractor would make a certain specified sum of money? A.—Yes.

Q.—And you have just said that you would change the classification if he was getting unusually good? A.—Yes. The higher a classification in a lot of work, the better for the stationmen, so as to encourage them to stay on the work and finish it.

Mr. Taylor: Was that done generally, changing the classifications? A.—No, it was not; the contractor would get the same classifications as the stationmen in that case.

Q.—The classification that was given to the stationmen would appear on these estimates that have just been filed? A.—Yes.

Q.—And the minute that you gave a stationman the higher classification to encourage him, you would be giving Pat Welch that same classification on the larger prices? A.—Yes, for the time being.

Q.—Well, for the time being, and these estimates have gone in to the Government, and therefore they have been paid by the Government loan? A.—Yes, but it would be changed afterwards.

Q.—Do you think that any of these estimates would show any of the reductions? A.—There would be no other way, because it would not be known what would be necessary to give the sub-contractor, to let him have the profits that there would be.

Q.—My point is, Mr. Callaghan, that it is like starting a stone downhill; it is giving the sub-contractor more than he is entitled to; and it means, as a consequence, that P. Welch's estimate would be open to the same criticism, why did he get more than he is entitled to; hence it would pay Welch to give a stationman more than he is entitled to? A.—But that is taken away from him.

Q.—How can it be, if the field estimates have corresponded, as you have already told us, with the estimates given to the Government; how can it be taken away from him? A.—Well, these estimates now, they are changed when they come to the Government also, just the same as they are changed when they come to the sub-contractor. If to-day I gave you an estimate for 100 yards of solid rock, and to-morrow you are still doing the work for a certain piece of work, and you had 100 yards of solid rock, and to-morrow you are still working, and you only got 50 yards, but you had received 100, the deduction for the 50 yards is made from that; then you have not permanently benefited by it.

Q.—Let me see, now, you have stated two propositions to us to-night; one of the propositions is that classifications were made in a number of cases, so that a man would be allowed to make a certain profit? A.—He having been told in advance.

Q.—He was going to make a certain profit on that work; that is one thing you have stated. The other thing is that the classifications were given to the stationmen to encourage them in the work, which would mean that they got it, and it can be taken away from them again; there would not be much encouragement about that, to fix it one day, and to change the classifications, and discourage them the next day? A.—They get—

Mr. Maclean: Let him explain now.

Witness: The stationmen are given a classification, and in making this classification, if it is higher than was given to the sub-contractors, then settlement is made on his classification; that is what I mean.

Mr. Taylor: You paid stationmen, or the sub-contractors; didn't Pat Welch let the contract to stationmen in a great many cases? A.—I think the work was practically all done by sub-contracting.

Q.—Well, let us just see about that— A.—I do not say that in every case stationmen got a higher classification than sub-contractors, but in certain classes of material they did.

Q.—Let us settle that point; isn't it a fact that Pat Welch let the work direct to stationmen in a great many instances? A.—I don't think so; I have no knowledge of anything like that.

Q.—And, if so, it could not be adjusted in the way that you suggested? A.—In any event it could be adjusted in that way, in any event.

Q.—Do you think it is a fair thing to give a stationman more than he is entitled to and take that excess out of the sub-contractor for whom the stationman is working? A.—It was a matter of getting him some return for his labour, so that he would be encouraged to continue in that occupation. If he got an estimate that didn't bring in something near wages, he would not do any more work; he would go away and leave it.

Q.—If a sub-contractor were given a certain mileage, do you mean to say that you as engineer would interfere with the sub-contractor's stationmen and give those stationmen more than they were entitled to, and take it out of the sub-contractor? A.—Certainly; he was not being deceived in any way about it; he knew that while the process was going on, he knew that; that is, he was told, but he could not look for any more than these limited amounts for himself.

Mr. Hanes: Take the reverse case, Mr. Callaghan; that is what I want to get for a basis: If there was such a case, assuming that the stationmen were making a cut in earth, and they had to supply material? A.—Yes?

Q.—And at their price there would not be enough coming to them to pay for the materials and supplies of provisions which they had paid for; isn't it a fact that, as you stated, some classifications would be changed to loose rock or solid rock, so as to make enough money for them? A.—Exactly.

Q.—To allow them to be paid for it? A.—Yes, exactly.

Q.—To pay for the material and supplies? A.—Yes.

Mr. Pooley: That is, the stationmen?

Mr. Hanes: Yes, with regard to the stationmen. That is, when the work was finished, then you could determine what the cost was to this sub-contractor, and a classification was made then, and it could be made to give him some returns for his plant and work?

The Secretary: What was the use of it at all; that is what I don't see? A.—I was not letting it; I was not letting the work.

Q.—It was a farce, then? A.—Well, it was a very good thing for the railroad; it limited the profits that would be carried away by contractors; as long as they were satisfied, I don't see any objection.

The Secretary: Certainly they would be satisfied, they could not lose.

Mr. Hanes: Mr. Callaghan, how much solid rock in that case would you allow; would you allow enough to the stationmen to break them, or to give them a few cents a day; can you just state it approximately? A.—Well, every engineer in the field had a discretion to do what was reasonable, in any way reasonable, to give him an estimate, within reason, and the man could be classified so as to make something in the neighbourhood of wages.

Q.—How much; now you speak of something in the neighbourhood of wages—how much? A.—Oh, it might be \$1 a day, might be \$2 a day.

Q.—Now you are swearing to that, are you? A.—Yes.

Mr. Taylor: Yes, he is swearing to it.

The Secretary: Then, it was left to the resident engineers to use their absolute discretion?

A.—To the resident engineer, and the divisional engineers, yes.

Q.—And there was no person who could interfere with them at all? A.—No; these men were miles away from Vancouver; the engineers had to use their own discretion within the limits of reason.

Mr. Taylor: There are two matters that I would like to ask you, Mr. Callaghan, just now; when you raised those sub-contractors so that they would make money out of it, it would mean that P. Welch would be raised also, wouldn't it; and the Government would pay for the raise of the amount over and above the contract? A.—The sub-contractors, I believe, on the Pacific Great Eastern thought the classifications which have been given below anything they ever had anything to do with.

Q.—Let us deal with that. A.—It is a lower classification considering the character of the mileage.

Q.—That is a general statement; perhaps we can get it in this way: For instance, if the contractor, P. Welch, had \$1.15 a cubic yard for solid rock, and the sub-contractor, we will say, had 60 cents a cubic yard for solid rock, you raised that sub-contractor for yardage from 20,000 to 30,000 yards in order to allow him to make a profit; would you raise Welch also on that extra 10,000 yards on his high prices? A.—It could be done, yes.

Q.—You would give him 10,000 yards that never existed, then, at the high price to come out of Government money? A.—Certainly.

Q.—Another thing, the second thing—you say you wanted to allow the sub-contractor to make money, and you want the stationmen to make money; that is, you want to make him fully square with his labour account and on his store account? A.—Oh, the stationmen, the thing was to keep them on the job and get the work done.

Q.—In order to make him make a profit over his store account and his labour disbursement; and the store account was handled by P. Welch again at a high price? A.—It was handled by the sub-contractor in regard to the stationmen.

Q.—Didn't P. Welch supply all the stores placed in that road? A.—He would supply the sub-contractor.

Q.—Yes, at a healthy profit. A.—Well, I don't know whether it was or not.

Q.—At a profit, we will say? A.—Yes.

Q.—Then the sub-contractors supplied the stationmen at another profit, didn't they? A.—I presume.

Q.—And when you wanted to keep the stationmen, by giving them an increased amount of yardage, you would incidentally be paying the sub-contractors' store account and Welch's store account? A.—For the time being, the sub-contractors' end would have a higher estimate than was necessary.

Q.—I say it would have the effect of paying those two accounts, and give Welch this additional yardage that didn't exist? A.—No, there would not be any additional yardage that didn't exist; there might be a classification that didn't exist, but that was only just for this purpose I have said.

Q.—Instead of 20,000 yards of solid rock you call it 30,000 yards of solid rock, and that would make the difference between the prices, we will say, of 75 cents a yard and \$1.45 a yard; I don't know what the contract prices are. Probably we had better speak by the book. We will just see what those prices are. Solid rock price, \$1.45, and his loose rock price was 55 cents, so you can see the very minute you call 10,000 yards of loose rock, you call it 10,000 yards of solid rock, you not only double the price, but treble it. Now, that is what I mean by change of classification. That is one way of changing classification, calling loose rock solid rock, and calling hard-pan solid rock. A.—Yes, sir.

Q.—Now we will see hard-pan prices. That is 50 cents a cubic yard; hard-pan, 50 cents; when you change that into solid rock it becomes \$1.45 a cubic yard; both to P. Welch and to the sub-contractors. Those prices are to the stationmen; that is what is meant by change of classification? A.—Yes.

Q.—Another way is to increase the yardage? A.—I don't increase the yardage by changing it from one material to another, calling it another.

Q.—The same effect? A.—Yes.

Mr. Pooley: Do I understand you to say that this classification was existing right along the line; that Mr. Welch changed the classification with his stationmen, hard-pan to loose rock, and that you carried it on straight on up the work? A.—Oh, yes, for the time being.

Q.—How would you adjust it later on? A.—Later on it would be adjusted when it was known.

Q.—And you had an understanding with the sub-contractors when it was known and how his account stood? A.—It would be reduced if necessary.

Mr. Taylor: You don't mean that, do you, Mr. Callaghan; you have sent in your monthly estimates to the Government, and they have never been changed, have they? A.—Oh, yes, they have been changed all the time.

Q.—How are they changed; we have them here, and they speak for themselves? A.—All the estimates were changed while the work was progressing; the estimates were changed every month.

Q.—What do you mean by changed; do you mean to say that you changed the quantities once you have certified and sent in the estimate? A.—Oh, yes.

Q.—Do you mean to say that? A.—Yes, certainly.

Q.—How is it, and why? A.—When the classification is changed the value of the estimate is reduced.

Q.—I do not see exactly how it can be. We will say that you put in an estimate to the Government in the month of October last; I am not speaking to the book now, I am only speaking as an example; we will say it was for \$150,000, covering so many yards of solid rock, and so many yards of loose rock, and hard-pan, and earth? A.—Yes.

Q.—Those quantities would never be changed afterwards, would they? A.—Yes; if we changed that classification the next month, the value of that same identical quantity might only be \$100,000.

Q.—It might be the same quantity—the same area? A.—Yes.

Q.—And the same cross-sections? A.—Yes, the same thing; when you put it into a lower class you reduce the value of it.

Q.—Having got paid for it from the Government; how would you put an estimate on it to get the reduced amount? I do not follow you; I certainly do not understand you. A.—If you haven't done any more work, then you have to make a payment back to the Government.

Mr. Hanes: If we follow out the line of argument I started on, I asked you if the stationmen making a cut in order to allow him to pay his debts, would you allow so many yards of solid rock? A.—Yes.

Q.—Will you say that there are not cases where the solid rock has not been paid for to Mr. P. Welch through the Company, and through the Government? A.—It would be paid for that month that it existed in; if the stationmen had done the work it would be paid.

Q.—Could any reduction be made in classification over the whole line without your knowledge afterwards; you would give instructions to change the whole classification again, would you? A.—Oh, yes.

Q.—So you changed in the office the classifications from month to month? A.—No, not necessarily in the office. Take the work from Fort George down to Lac la Hache. The office that that work was handled through—that is, the general contractor's office—was situated in Fort George, and the divisional engineer was resident in Quesnel, and, of course, if he wanted some information to see about the standing of the sub-contractor who was being dealt with on that basis, he would go there.

Mr. Taylor: These field estimates were used to pay the stationmen and the sub-contractors, were they? A.—Yes.

Q.—The prices would go up to you, and you would put it on to the Government; that is, the quantities and the specifications? A.—Yes.

Q.—And you would get paid from the contractor? A.—Yes.

Q.—And that would end that transaction, wouldn't it? A.—No, unless the classification was changed.

Q.—How could it be changed if the stationmen had been paid according to the sub-contract, and you got your money from the Government from the estimate; how could that be changed? A.—Certainly could be changed.

Mr. Pooley: Well, explain it.

Mr. Taylor: That is what we are here for. A.—Well, we will say that these stationmen got 100 yards of solid rock and the engineers certified to it, and he didn't get his money forthwith, that 100 yards of solid rock, of course, would go through all the estimates.

Q.—Wait a moment there; you take the estimates themselves; can you see any reductions that have been made? A.—Yes.

Mr. Pooley: Let us go through this illustration first, Mr. Chairman.

Witness: Then for the same 100 yards of solid rock, the next month it was called 50 yards of loose rock and 50 yards of solid rock.

Mr. Taylor: And the sub-contractor is out of the country, and who is going to lose the money? A.—In that case the sub-contractor would also be settled with by the general contractor.

Q.—They all lose the money? A.—He would lose money.

Q.—Was that done very frequently by you with anybody? A.—These adjustments were all made before the sub-contractor was settled with. Any adjustments of that kind were made before the sub-contractor was settled with.

Q.—Did it frequently occur that you allowed the men, the sub-contractors, to lose what they had honestly paid out on the basis of the individual engineer's certificate? A.—The classifications were very often changed in the form which I mentioned.

Q.—So that the sub-contractor would be out of money on that very payment that he had made? A.—He might be.

Q.—Supposing he had paid the stationmen, would it be changed with them, or would he have to lose the difference between the money paid? A.—Yes.

Q.—You would be the person to make that change, because it had already gone through the divisional engineer's office? A.—Well, the divisional engineer would have knowledge of the subject, and just as soon as I would; probably sooner in the case of work that was done in the Fort George office.

Mr. Hanes: Do you say that is the regular procedure, Mr. Callaghan? A.—No, it is not the regular procedure on railroad-work.

The Secretary: But it was especially arranged that way on some of the work on this line? A.—There were instructions from the president to deal with it in that way, and we did.

Mr. Taylor: Instructions from whom? A.—From the president.

Q.—Who is he? A.—Mr. Stewart.

Q.—Mr. John Stewart? A.—Mr. John Stewart.

Mr. Hanes: Take the section from Fort George this way, say for eighty miles, just speaking roughly, 1,900 yards of loose rock, and a quantity of earth paid for, and hard-pan, would you say that is paid for by the Government; would you say that the classifications, the final classifications, have been reduced very much on any estimate? A.—Yes; they have been reduced greatly up there from the estimates that were given to the stationmen.

Mr. Taylor: Did you change those classifications to the sub-contractor after he had been paid by the Government? Say you got your payment, you put in one of the Estimates 1 to 41, and you got the money out of it, or it had been passed through the executive, the Order in Council had been passed, would you then go back to the sub-contractor and reduce his classification, so that you would have money that you didn't have to pay out to the sub-contractor? A.—His estimate would be reduced.

Q.—That would mean that P. Welch would have money; that he would not have to pay out to the sub-contractor? A.—P. Welch would be reduced also. He didn't in every case get a different estimate from the sub-contractor, but the stationmen in some cases got a higher estimate than the sub-contractor from what P. Welch finally got.

Mr. Taylor: It is now 25 minutes past 10, and we might adjourn. I want other things produced; would you produce your cross-sections? A.—Yes, we have them in the building.

Q.—Will you produce them now, please, so that we can have them filed?

The Secretary: These are the only documents you want produced?

Mr. Taylor: That is all to-night.

The Secretary: Those will be marked Exhibit 73.

Mr. Pooley: What do they consist of? A.—Those are the cross-sections.

Mr. Taylor: I will want all the specifications. If you have any others I will want those; have you filed all the specifications that you have covering all this work? A.—Yes, we have filed all the specifications that have been in use on the work.

Mr. Taylor: Those cross-sections will be Exhibit what?

The Secretary: 73.

Meeting adjourned to 10 a.m. of the following day, Friday, March 23rd, 1917.

NINTH SESSION.

FRIDAY, March 23rd, 1917.

Meeting called to order at 10 a.m.

Mr. Tate recalled.

Mr. Taylor: Mr. Tate is ready to produce this morning the letter between Messrs. Stewart and Foley and Welch respecting the division of the interests in the contract of P. Welch with the P.G.E.

Witness: I have the original letters here, and if agreeable to you, I will read them, and have them copied into the minutes.

Mr. Taylor: I would prefer to have them read instead of filed.

Witness: Yes, if it is agreeable to you.

The letter reads as follows: "Vancouver, B.C., November 25th, 1912. P. Welch, Esq." (This will not be filed.) "P. Welch, Esq., Railroad Contractor, Vancouver, B.C. DEAR SIR,—Referring to your letter of even date in regard to the Pacific Great Eastern Railway Company contract, it is understood and agreed by the firm of Foley, Welch & Stewart that the said contract is entered into by you on behalf of the said firm, and that all loss or profit on the said contract is to be adjusted accordingly.—Yours very truly, Foley, Welch & Stewart. J.W.S."

The Chairman: What is the date of that?

Mr. Taylor: November 25th, 1912.

Same date, another letter: "Vancouver, B.C., November 25th, 1912. Messrs. Foley, Welch & Stewart, Railroad Contractors, Vancouver, B.C. DEAR SIRS,—In reference to the contract entered into by me for the construction of the Pacific Great Eastern Railway, dated October, 1912, I hereby declare that the said contract was entered into by me for and on behalf of the firm of Foley, Welch & Stewart, and all profits, if any accruing from the said contract, belong to the said firm, and are to be divided accordingly; also all loss, if any, upon the said contract is to be assumed only by the said firm.—Yours very truly, P. Welch."

Q.—Mr. Tate, I notice that the contract is described as of October, 1912; the date is 23rd September, 1912; how do you account for that? A.—Well, that is General Stewart's writings; I suppose he didn't have the contract with him, and he just put it in from memory, according to his recollection, because the date of the month is not quite right.

Q.—There is no other contract, though, that will conflict? A.—No, there is no other contract covering construction.

Q.—While Mr. Tate is here, I will ask him to produce the agreement for the construction of the phone-line made with P. Welch? A.—The telegraph-line?

Q.—Then I want the agreement with the Howe Sound Development Company, the Howe Sound & Northern Development Company? A.—Yes, that is filed; the Railroad Company and the Development Company, that is filed; there is only the one agreement.

Q.—Then I want the agreement between the Railway Company and P. Welch, by which the Railway Company agreed to pay the loss of operating. A.—On the North Shore?

Q.—On the North Shore, yes. That is, from Vancouver out to White Cliff? A.—Yes.

Q.—Also the agreement between the Railway Company and the Development Company respecting the use or the lease of the wharves, etc., at Squamish? A.—Yes.

Q.—And has Mr. Thomas got that statement of costs distribution, and of estimates showing the total cost, and the total money paid out of the guaranteed funds which were requested the other day; I gave him the form? A.—No, he has not got that; he said that would take at least a week to prepare, and that he was speaking to you about it. He has the same thing in another form, but I understand that he would have to transpose his records, and so forth, to that extent. I do not see any difficulty myself, but he does.

Q.—I may say that I have one taken off inaccurately, but it could easily be made accurate; I do not see why it should take a week. A.—He said that the Minister requested the same memo., in the same form, from Mr. McIntyre, and Mr. McIntyre had been working on it, and had not been able to get it out yet. As I say, I don't see any difficulty myself; we are willing to give you anything you want.

Q.—Will you produce the one in this form, as well as any other he is working on? A.—Yes.

Mr. Hanes: Mr. Tate, does the Howe Sound & Northern Development Company own any property or townsite along the line? A.—Oh, no; the Howe Sound Development Company is out of business.

Q.—How about the Howe Sound & Northern Railway? A.—It is amalgamated with the Pacific Great Eastern; there is only one concern now, the Pacific Great Eastern.

Q.—Well, the Pacific Great Eastern Railway Company owns most of the stock of the Howe Sound & Northern Railway Company? A.—All of it.

Q.—All of what? A.—All the stock; we hold that stock; that Company is absolutely merged in the Pacific Great Eastern Company and has no separate existence.

Q.—Who are the directors of the Howe Sound & Northern Railway Company? A.—It has gone out of existence.

Q.—Will you produce your minute-book? A.—Yes, certainly.

Q.—You have got your minute-book? A.—Yes.

Mr. Hall: Mr. Tate, when you said "we," did you mean the Railway Company or the Development Company? A.—The Railway Company.

Mr. Hall: And the Railway Company owns all the stock? A.—Apparently, no such a company as the Howe Sound & Northern Railway Company; it is merged in the Pacific Eastern Railway Company; there is nothing at all outstanding in the Howe Sound & Northern Railway, it is amalgamated.

Mr. Hanes: Will you look up the minutes? A.—The Order in Council is filed; that has more authority than our minutes. The Order in Council amalgamated the two companies.

(Will you get that, the Order in Council amalgamating the Howe Sound & Northern Development Company?)

Mr. Taylor: I do not think it is filed.

Mr. Maclean: No, there is no such Order in Council; it is not filed here at all.

Mr. Hanes: April 19th, 1913, is the meeting I refer to.

Mr. Hanes: Will you read the minutes, and give the Committee an explanation of what they mean, and as to how it was handled?

Witness: All being present—that was, Mr. Stewart—

Mr. Maclean: What is this that you are reading?

Witness: "A meeting of the directors of the P.G.E.R., held at the office of the president, April 19th, 1913, Saturday. Present: J. W. Stewart, D'Arcy Tate, in person; and T. Foley, and J. W. Macleod, and J. Smith, by D'Arcy Tate, their proxy; all being present in person or represented by proxy, no notice of the meeting waived. Mr. Stewart took the chair, and F. Wilson acted as secretary for the meeting. Arrangements having been completed for the transfer of the ownership of the Howe Sound & Railway Company to the P.G.E.R., and as only certain things are done, it will be necessary to keep alive the former Company until it is absorbed into this Company, it was moved by Mr. Stewart, and seconded by Mr. Tate, Resolved, That the following be nominated, on behalf of this Company, to act as directors in the Howe Sound Railway Company: D'Arcy Tate, K.C.; A. H. Douglas, A. H. Sperry, R. L. Reid, and D. S. Wallbridge; and that one share of the capital stock of the Howe Sound Company, in order to qualify them to act as directors, be transferred to each of them, and the remainder of the shares entered in the name of this Company, in the register of the Howe Sound Company, that is to say, D'Arcy Tate, K.C., one share; A. H. Douglas, one share; A. H. Sperry, one share; R. L. Reid, K.C., one share; D. S. Wallbridge, one share; P.G.E.R., 4,995 shares; total, 5,000 shares; and that the president, or in his absence the vice-president, shall be empowered to act and vote on behalf of this Company at either general or special meetings of the Howe Sound Company. Carried unanimously." "Moved by Stewart"—that has nothing to do with the Howe Sound Company, the next one.

Mr. Hanes: Well, that Howe Sound & Northern Railway Company, and the Howe Sound Development Company have, you say, transferred all their assets to the P.G.E.R.? A.—Yes;

certain things remain to be done, Mr. Hanes, under an agreement between the two companies, and that is why the Howe Sound and Northern Railway Company was not killed at that time. Subsequently, Mr. Whiteside, on behalf of the Howe Sound Companies, fulfilled all their obligations, and then the Howe Sound Company was merged in the P.G.E.R., and the Order in Council confirming the amalgamation was obtained from the late Government. We have a copy of the Order in Council, and if it is not filed, we will file it; but there is no such company in existence now as the Howe Sound and Northern Railway Company.

(Witness stands aside.)

(Mr. Callaghan now took the stand.)

Mr. Taylor: Mr. Callaghan, I wanted to compare your prices in the contract with the Canadian Northern Pacific Railway in British Columbia, just item by item, so that we get it on the notes. Would you take your contract, please, and give me the items; I may want some explanation as we go along?

(The P. Welch contract is the P.G.E.R. dated 23rd September, 1912, was referred to, agreement for construction of the line from Vancouver to Fort George.)

The Chairman: Do you want the specifications?

Mr. Taylor: No; the prices in the schedule.

Q.—Clearing, your price, how much? A.—\$150 per acre.

Q.—Canadian Northern, \$125. Grubbing, your price?

Mr. Maclean: They are not in the same order, are they?

Witness: They do not come in the same order.

Mr. Taylor: Grubbing is next. A.—\$300.

Q.—Canadian Northern, \$200. Solid rock? A.—\$1.45 per cubic yard.

Q.—Canadian Northern, \$1 per cubic yard. Loose rock excavations? A.—Per cubic yard, 55 cents.

Q.—Canadian Northern, 60 cents. Hard-pan excavations, per cubic yard? A.—50 cents.

Q.—Canadian Northern, 50 cents. Earth excavations, per cubic yard? A.—32 cents.

Q.—Canadian Northern, 28 cents. Overbreak excavations, per cubic yard? A.—\$1.25.

Q.—Canadian Northern, 60 cents. Box culverts, per 1,000 feet board measure? A.—That is a special price, \$32 per \$1,000 feet board measure.

Q.—How much? A.—\$32 per 1,000 feet board measure.

Q.—\$25, Canadian Northern. Just a moment, \$22, Canadian Northern. Now, I have been reading, New Westminster to Hope; I want to give those same classes, Hope to Lytton, and then again, Lytton to Kamloops; and then again, Kamloops to Mile 100 North; and then again, Mile 100 North to Yellowhead Pass.

Mr. Maclean: They change right along then.

Mr. Taylor: Yes, and it is only fair to give those things.

Mr. Maclean: Of course, I suppose they get higher as they go up the river.

Mr. Taylor: Then you will be disappointed; they get lower.

Mr. Maclean: I understand the situation, Mr. Taylor; they had transportation from both ends.

Mr. Taylor: I am not contesting your point, one way or the other. I have given those prices, New Westminster to Hope. I will give the same, Hope to Lytton; clearing, \$65; grubbing, \$175.

Mr. Maclean: Hope to Lytton, what was the first one?

Mr. Taylor: It is the same; clearing \$65.

Mr. Maclean: What is clearing here? A.—\$150.

Mr. Taylor: Grubbing, \$175; your price is \$300. Solid rock excavation, per cubic yard, 93 cents; your price is \$1.45. Temporary trestles, per thousand feet board measure, your price is what? A.—Temporary trestles are not specified here. The price for trestle-work would be applicable.

The Chairman suggested that a comparative list be filed to save time.

Q.—There is a condition in your specifications which says that all false-work is to be included in the price for the particular structure? A.—No.

Q.—Is there a condition like that? A.—No, not in the specifications that is applicable to the work according to this agreement.

Q.—I think you are mistaken; I think there is a condition there that provides for false-work to be included; I am sure there is. A.—No.

Q.—We will settle that right now.

Mr. Hanes: Do the specifications provide, Mr. Callaghan, that the trestles will be paid for on the basis of the timber in place? A.—Yes.

Q.—That is, the timber in place is the amount of timber that is necessary for the purpose of the structure; it doesn't mean that if you take out—

Q.—Well, I do not think I asked you that; I ask you again, if the specifications provide for the payment of timber in place? A.—They don't say; specifications do not say it; that is left to the judgment of the engineer; but the practice is to pay a man for whatever it is to build the structure.

Q.—What are sub-contractors paid for—timber in place or timber delivered on the job? A.—They were paid for timber in place.

Q.—Actual timber in place? A.—That is my understanding.

Q.—Clause 33 of the specification, timber structures? A.—That is not applicable to the work at all.

Q.—Well, I will read it; it must be understood that the contractor's schedule of prices for construction of trestle bridges includes the cost of placing and removing such false-work as the engineer deems necessary in the erection of this and similar construction—

A.—That specification was not ever submitted to the contractor; when it was made out, the intention was at the time to simply get out a specification for the metal parts; that which was typewritten, and it was compiled in that form, and printed, but it was never submitted to the general contractor, and has no application to his contract.

Q.—What is the reason of that; it was revised December 1st, 1913? A.—Well, that really is a misnomer; it was not revised; that was never in existence before at that time. The only thing that was in existence at the time was the typewritten form, which is filed here now, covering the metal parts for those bridges.

Mr. Maclean: Where are the specifications; are those the specifications? A.—No, it was just a typed form. It is dated, and signed by myself, 1913.

Mr. Taylor: According to the specifications, there are your typewritten sheets; is that what you refer to as being the specifications which govern? A.—Yes. The specifications filed was in reference to the timber structures that you refer to, and it covers metal parts.

Mr. Maclean: Is it No. 8?

Mr. Pooley: Is that what you mean; it has No. 8 on it. A.—No; it is a small, thin paper.

Mr. Taylor: How do you account for these specifications being printed and marked revised if they were not intended for this work? A.—Well, it was done by Jimmy Stewart, the chief draughtsman; but it was not ever submitted to the contractor. In fact, there was a change in the prices. That also says he would have to do the teaming.

Q.—You said the other day, when Mr. Tate produced this Exhibit 8, that you had just signed, which is the typewritten specifications covering timber structures.

Mr. Maclean: 8 is a different thing altogether; 8 is the specifications for timber structures.

Mr. Taylor: Pardon me, this is Exhibit 8 I am referring to, marked on the back "timber structures."

Mr. Pooley: The witness has already said that this is not the one he refers to; the stenographer has it wrong.

Mr. Taylor: The one that is provided for timber structures is 8, Mr. Callaghan, isn't it? (Producing document.) That is the correct specification for timber structures? A.—That is the one.

Q.—Exhibit 8? A.—Yes.

Q.—The other day, when Mr. Tate produced that, you said you had signed it only a day or so ago? A.—Yes.

Q.—It appears now to be signed at the end, John Callaghan, Chief Engineer, 1913? A.—Yes.

Q.—Why did you put 1913 on it if it was only signed a day or two ago? A.—That was the date it was printed and sent around to the contractors; that is the year it was printed. Some time during the summer of 1913.

Q.—Is that the reason for putting 1913 on it the other day? A.—Yes, that is my reason.

Q.—Have you any copy that was ever signed before the other day? A.—I don't think there was any.

Q.—Now, this specification is quite different from the specifications which are printed, which purport to be revised, December 1st, 1913, and which I have been referring to? A.—Well, that one you are referring to now was brought into existence a year after the prices for this bridge-work was decided upon, or agreed upon.

Q.—It makes a very great difference to say that a contract was brought into existence a year after this work, and to say that the contractor shall be paid for the false-work in the price of the permanent structure? A.—And it makes a very big difference to say that he shall do the teaming.

Q.—Would you mind producing now a printed copy of this timber structure specifications, which you say was never put into force; I would like to have inquired? A.—Yes.

Q.—Have you anything which Mr. P. Welch has signed as to these timber structure specifications? A.—No, I don't think I have; I don't think he signed any specifications.

Q.—If these revised specifications, which will now be Exhibit 74, and which you have just produced from your custody, were not to be used, how is it that you have them here at all? A.—They might be used for a sub-contractor if P. Welch had chosen to do so; but those prices, as to this Howe-truss bridge, was agreed upon February 1st, 1913, and there was a bill from the printer for printing these; that is dated May 29th, 1914. I see from our correspondence copies of the specifications had been apparently in existence, January—yes, January 7th, 1914, apparently. That is the first time they were mentioned in our correspondence; they were sent out that day by a clerk.

Q.—Will you produce the typewritten or other document from which these were printed, or copies of the same; they are marked December 1st, 1913, revised, so there must have been something in existence before December 1st, 1913? A.—The only thing that was in existence is that other exhibit there, No. 8.

Q.—The date, though, is so vastly different; can you produce anything signed by you or P. Welch prior to a few days ago? A.—No, I don't think so; I have no recollection of P. Welch signing any specifications.

Q.—How do you account for the fact that Exhibit 8 starts with paragraph 13, as it is the first paragraph? A.—That is a copy of some other company's specifications.

Q.—It is a part of this document; it looks as if it were attached to something else before being bound. Now, where are the other pages leading up to paragraph 13, as it starts with paragraph 13 and ends with paragraph 28? A.—Well, that is a copy of some other company's specifications; it might be the Great Northern; it might be the Canadian Northern Railway; or it might be the Canadian Northern Pacific, or some other company; it might be taken out of some of those specifications.

Q.—That would not account for starting with paragraph 13? A.—Yes, because the other specifications might have had paragraphs preceding that, and they were not taken in the same way; when you look at the paragraphs, you will see that they do not start at paragraph 1, supposing they are copies of the Canadian Northern.

Q.—Do you say that there were no specifications in existence until a few days ago, and then you took these sheets from something else? A.—Those specifications were in existence in 1913, when the Howe-truss rods were purchased.

Mr. Maclean: Here is the letter.

Witness: Dated August 12th, 1912; it is written to Messrs. Foley Bros., Welch & Stewart. That is the letter that I wrote.

(Letter read.)

Q.—What is the date now? A.—That is August 12th, 1912.

Q.—That is a letter from Mr. Callaghan to whom? A.—A letter to Foley Bros., Welch & Stewart, St. Paul.

Mr. Taylor: These specifications starting with paragraph 13 are the specifications of the Pacific Great Eastern for timber structures? A.—Yes.

Q.—And it shows, of course, that the sheets were taken from something else, unless typewritten, from something else, and I cannot see what becomes of the other parts.

Mr. Maclean: Do you say there are no other specifications that have been taken in the same way?

Witness: That would be a copy of some other company's specifications for similar work, and sections, and numbers of them, would be copied, not starting at 1, but they would start at the number they happened to begin at.

Mr. Pooley: Corresponding numbers to the original from which they were obtained.

Mr. Taylor: This specification, Exhibit 8, is simply a specification for the iron-work. A.—Yes, that is what it is for; it is not a full specification of the timber structure at all. We had that in our general specifications.

Q.—Would you mind pointing to the paragraph in your general specifications where you find the balance of the specifications for timber structures? I will tell you there is not a mention of timber in this Exhibit 8 at all. It is all iron. A.—Yes.

Mr. Pooley: This will help, Exhibit 4.

Mr. Maclean: 4 is the only one.

Witness: They will be starting at section 22, page 8 of the specifications, headed timber structures.

Mr. Taylor: I would suggest to you, from looking at Exhibit 8, paragraph 13, it is a part of some other typewritten document that you must have containing the whole specifications of the timber structures. This being simply the steel and iron part of the timber structures; that is very apparent from looking at it? A.—No, that is not true.

Q.—Not true? A.—This is the only timber structure specifications that we have ever prepared, and is designed for the work of P. Welch; this is the specifications of the Canadian Northern Pacific, which they have for building timber bridges; it is an exact copy, I think you will find, of the Grand Trunk Pacific Railway—the Canadian Pacific.

(This, being Exhibit 4.)

Mr. Maclean: I guess you mean Exhibit 4.

Mr. Pooley: The printed part of Exhibit 4.

Witness: I will have to look it up. This didn't have any date on it. The document itself is not dated; but it was, apparently, from the date shown here, in pencil, it was 26th February, 1913; it was early in February, 1913, or thereabouts that this specification was brought into existence.

Mr. Taylor: I will go on with these prices.

Witness: (Referring to previous matter.) No, I think that this specification was finally revised in one way and another until it reached this form in December, 1912; some time in December, I should say, 1912, that this was finally completed—this is the first one that was finally adopted.

Mr. Pooley: That is Exhibit 4?

Witness: Exhibit 4.

Mr. Taylor: Taking the other prices, box culverts? A.—Yes.

Q.—Did you give me box culverts, per 1,000 feet? A.—That was \$32.

Q.—And temporary trestles, per 1,000 feet board measure; you say that was included? A.—That was included in the general contract; that is the only price, whatever is in.

Q.—Could you tell me what do you mean by that? A.—It is \$45 for timber, except stringers, and stringers are \$50.

Q.—You would pay him for the permanent structure at \$45 and \$50 respectively, and then you would pay for the false-work at that price respectively? A.—They pay \$45; I don't think there would be any stringers.

Q.—As a matter of fact, you would pay the contractor as much for his false-work as for the finished structure? A.—No; there is a different price for that material and timber that would be required in the false-work.

Q.—What do you mean by that; it is \$45 a 1,000 feet board measure in the structure? A.—Yes.

Q.—Well, it's up to the contractor to say what kind of timber he will put on this contract; that is to be arranged with you; the timber has to be destroyed, anyway, and you would pay him the same prices apparently for it as for the finished structure? A.—Yes; we give them a bill of material for the false-work.

Mr. Hanes: What is the contract price that you pay for that? A.—It is not specified in the contract.

Q.—It is similar work? A.—Yes.

Mr. Taylor: Is not that very unusual to pay for false-work? A.—I don't think so.

Q.—You pay the contractor for false-work; in that case you have to pay him the same as for a completed structure? A.—No.

Q.—Grading, per cubic yard? A.—My recollection is \$15.

Q.—This price, \$10. Canadian Northern, \$10. Trestle bridges, board measure, 1,000 feet? A.—\$45.

Q.—\$45. Canadian Northern, \$27. Track-laying per mile, \$755? A.—That is \$700; A and B, \$750.

Q.—\$750. Canadian Northern, \$400.

Mr. Pooley: What sections are you on?

Mr. Taylor: Well, the different sections are as follows: Westminster to Hope, \$400; Hope to Lytton, \$500; Lytton to Kamloops, \$500; Kamloops to Mile 100 North, \$400; Mile 100 North to Yellowhead Pass, \$400; that is the place that has no transportation.

Mr. Maclean: Too bad—it is different as you go up the Thompson, Mr. Callaghan. A.—Track-laying, did you mention; what are you referring to, the track-laying alone?

Mr. Maclean: Track-laying. A.—Well, the Canadian Northern is built on lighter grades and lighter curvature than we have; that would all tend to cheapen the cost of track-laying.

Mr. Pooley: Now about the transportation? A.—Well, the transportation of rails—

Mr. Pooley: Dear? A.—As far as track-laying is concerned, the rails, I think, should be received by either of the companies just about on the same basis; as far as that is concerned, the Canadian Northern would receive them at Port Mann.

Mr. Hall: Did you know the character of the grades at the time when the prices were fixed? A.—Oh, yes, that is the character of the country. There are a great many bridges on the mountain lines of the P.G.E.R. which no doubt directly disorganizes the forces for track-laying, and makes it much more expensive. Where the line is more free from bridge-work it is different. Lots of time there would be only half a mile or a quarter of a mile, and then the force would have to be laid off, and they would scatter, and we would have to gather them together again. The next time you want to resume operations, you don't have the men.

Mr. Maclean: There were a considerable number of bridges on the Canadian Northern, were there not? A.—There is no doubt about that; but I do not think they are as particularly numerous as they are through the mountainous part of the P.G.E.R.

Mr. Taylor: Bridge-work is always profitable work, anyway, isn't it? A.—I could not say that it is.

Q.—It is like solid rock-work and tunnel-work, all profitable work; trestle and bridge work? A.—I would not say it is like any other work; it all depends on the contract.

Q.—It is called good work in railroading—trestle, bridge-work, and solid rock-work. But we are digressing a little.

Witness: It all depends on the situation of the work and the price or the cost of labour. There are all kinds of reasons in connection with that question of labour, and other things.

Mr. Taylor: Taking the next point; ballast, per cubic yard, your price? A.—50 cents.

Q.—38 cents, Canadian Northern, per rod.

Mr. Maclean: Is that one price for all the way along the line, what you have here?

Mr. Taylor: 38 cents to Hope; 40 cents, Hope to Lytton; 40 cents, Lytton to Kamloops; 40 cents, Kamloops to Mile 100 North; 40 cents, Mile 100 North to the Yellowhead Pass. A.—40 cents for all the lengths.

Q.—That is for ballast we are talking about. Fencing, per rod? A.—Well, our fencing is let by the mile, and the price is made by the mile.

Q.—How much is it by the mile? A.—\$350.

Q.—Canadian Northern, \$1 per rod; that can be figured afterwards. Telegraph-line, erection and poles, per mile; what is your price? A.—Telegraph-line, including labour and material, \$350.

Q.—Canadian Northern, \$150.

Mr. Maclean: Did you give just the one price there; does that include materials or just the labour?

Mr. Taylor: It says, erection and poles; that is the material.

Witness: That includes all the material; the poles are not all the material.

Q.—Westminster to Hope, \$150; Hope to Lytton, \$150; Lytton to Kamloops, \$150; Kamloops to Mile 100 North; Mile 100 North to Yellowhead Pass, \$150. You say now, Mr. Callaghan, that

that price in the erection and poles does not include everything; what else is left out? A.—Cross-arms, and the bracing that is necessary to hold the poles in position.

Q.—Wouldn't that be included in the erection? A.—Oh, no, the erection is just the labour putting them up; and that would be after they were delivered on the ground also.

Q.—Tunnels, per lineal foot; what was your price? A.—\$85.

Q.—\$75, Canadian Northern. All the way through all sections. That, Mr. Chairman, is all that we have in this report as to the Canadian Northern prices; there are a great many other prices that are not given here. Will you produce now the contracts with the sub-contractors and the stationmen? A.—I don't know that I have that information; I have not got that information.

Q.—Who has that? A.—The general contractor will have that.

Q.—P. Welch. Then, I will ask P. Welch to produce the contracts with the sub-contractors and stationmen.

Mr. Davis: There were no written contracts with the stationmen; there were the contracts with the sub-contractors; we will have to look it up, and produce Mr. Welch. If they are down here or in Vancouver, we will see that they are produced as soon as we can.

Mr. Maclean: Can you give the Grand Trunk Pacific prices, Mr. Taylor?

Mr. Taylor: I have these two documents here setting out fully the prices with the Grand Trunk.

Mr. Pooley: While on that question, I suggest we might as well get them in altogether.

Mr. Taylor: What is the number of these exhibits? Exhibits 67 and 68 apparently.

Mr. Maclean: Why not institute comparisons between those prices?

Mr. Hall: Couldn't we have a clerk prepare a memo. of those?

Mr. Maclean: As a matter of fact, this Pacific Great Eastern was a more expensive road to construct than the Grand Trunk Pacific, on account of its position, and other matters in connection with it.

Mr. Taylor: Will you argue that out?

Mr. Maclean: Because on the Grand Trunk Pacific they had water communication along the Skeena which enabled them to get in their supplies, and all sorts of equipment, which they didn't possess along this railway. The cost of transportation alone was a very serious item in the cost of construction of this railway.

Mr. Taylor: The Grand Trunk Pacific has had no transportation, except their road, as they advanced it in the heart of an absolutely undeveloped country. In this line they have a railroad at the end of 480 miles—450 miles; you have to Squamish as the one end, and water at the other end.

Mr. Pooley: There is the Skeena at one place, and the Fraser in another, on the Grand Trunk Pacific.

Mr. Taylor: There is the railway at one end of it, with water transportation down the Fraser River as far as Soda Creek, about ninety miles; and they have got at the other end, not exactly the other end, but about forty miles from Vancouver, deep water there, and a seven-mile railroad running into the country.

The Chairman: The C.P.R. at Ashcroft, within forty miles of Lillooet. A.—Forty-seven miles.

Mr. Maclean: Over a bad road; everything has to go uphill.

Mr. Taylor: The C.P.R. in the centre, and railway communication at each end. Do you wish these prices compared?

Mr. Maclean: Yes, we might as well while we are at it.

Mr. Taylor: This is Exhibit 67—

Mr. Maclean: Which section is that you are dealing with?

Mr. Taylor: You file these two exhibits; 67 would be Prince Rupert and Copper River, a distance of 100 miles.

Mr. Maclean: Just take that other one.

Mr. Taylor: The other one is 68; it is not marked yet, not marked on the outside; I am assuming it is 68. Tete Jaune Cache to Aldermere, a distance of 415 miles.

Q.—Now, will you give me your prices again, please. Clearing? A.—\$150.

Q.—Exhibit \$67, \$180; Exhibit 68, \$150. Fort George, west to within fifty miles of Aldermere, \$125. Next item, trees cut off right-of-way, outside the right-of-way, rather; how much? A.—\$350.

Q.—Exhibit 67, \$2; Exhibit 68, \$2. Grubbing, your price? A.—\$300.

Q.—Exhibit 67, \$400; 68, \$250. Solid rock, \$500, free haul; your price? A.—\$1.45.

Q.—Exhibit 67, \$1.50; 68, \$1.40. Loose rock? A.—55 cents.

Q.—Exhibit 67, 55 cents; Exhibit 68, 60 cents. Common excavation? A.—32 cents.

Q.—The same in 67 and 68. Excavations in foundations—just a minute; I will skip that, no price given. Overhaul of materials, per cubic yard, per 100 feet, over 500 feet haul? A.—2 cents.

Q.—Exhibit 67, 1 cent; Exhibit 68 1½ cents. Piling, delivered, as per engineer's bill? A.—35 cents.

Q.—Exhibit 67, 20 cents; Exhibit 68, 25 cents. Pile-driving, per lineal foot? A.—35 cents.

Q.—Exhibits 67 and 68, each 28 cents. I am only reading the ones that I have prices here; there are quite a number that are printed that have no prices. Paving in culverts, per cubic yard? A.—\$2.50.

Q.—Exhibits 67 and 68, each \$2. Trip filling, with stone? A.—\$2.50.

Q.—Exhibit 67, \$1.25; Exhibit 68, \$2. Hand-laid riprap? A.—\$2.

Q.—Exhibit 67, \$1.50; Exhibit 68, \$2. Riprap? A.—\$1.25.

Q.—Exhibit 67, \$1.25; Exhibit 68, \$1.30. Round rocks in cribs? A.—25 cents.

Q.—Exhibit 67, 15 cents; Exhibit 68, 20 cents. Cedar mud-sills, per 1,000 feet board measure; your price for that? A.—I am looking for it.

Q.—Exhibit 67, \$30; Exhibit 68, no price given. Framed trestles, including stringers. It is given both ways: one is except stringers, and the other is including stringers; you can give me your price either way? A.—For the framed trestles it is \$45, and for the stringed it is \$50.

Q.—Your price is, framed trestles, \$45; stringers, \$50. Exhibit 67, framed trestles, except stringers, caps, and braces—stringers, \$32. Yours was \$45. Exhibit 68, framed trestles, including stringers, \$42.50; nothing given for the others in Exhibit 68.

Mr. Pooley: Do the specifications say anything as to the timber to be put in those bridges? A.—We require this Coast fir; on the Grand Trunk Pacific they used the local timbers, spruce principally, along the Fraser Mills, and sawed it there.

Mr. Taylor: All first-class timber? A.—Poor building-timber, spruce is.

Q.—Cedar timber in culverts; your price? A.—This timber in culverts, crossings, and box drains, \$32.

Q.—Timber in culverts, \$30. Exhibit 67. Best timber, best quality, for culverts, \$30, Exhibit 67. The only price given in Exhibit 68 is this: Timber, best quality, for culverts, \$40; native timber in culverts, cedar, fir, pine, hemlock, or spruce, per lineal foot, in culverts, 20 cents. That price, I see, is also written in Exhibit 67; the same price at the bottom, 20 cents per lineal foot; and how much would that be approximately per 1,000 feet board measure? Have you the price, native timber, per foot, that will cover it? A.—Just 30 cents a foot.

Q.—Here is 20 cents. Dry masonry in culverts and walls? A.—\$4.50 per cubic yard.

Q.—\$4.50 in Exhibit 67; it is ditto in Exhibit 58. Tunnel road section by 500-foot lengths, per lineal foot, unlined? A.—\$85 for all tunnel-work.

Q.—For all tunnel-work? A.—That is for all rock section tunnel-work.

Q.—That is tunnel rock section unlined up to 500 lineal feet, per lineal foot, \$85, you say? Exhibit 67, \$80; Exhibit, 68, \$85.

The Secretary: Are they the same section? A.—The area is 14,224 cubic feet; the area of the section.

Mr. Taylor: We have not got it here. A.—I believe we had the G.T.P. section.

Q.—Timber lining for 1,000 feet board measure; that is tunnel timber lining? A.—\$45.

Q.—\$40 in Exhibit 68; nothing in Exhibit 67.

Mr. Maclean: You mean that is it not given; it is there, but there are no prices set opposite.

Mr. Taylor: Of course.

Mr. Maclean (to the witness): What do you get in that case; you have to arrange it; that means a higher price than the other, then? A.—Oh, I don't know.

Q.—Not necessarily?

Mr. Taylor: Iron, bolts, forged or cut spikes, cast-iron washers; what is your price? A.—8 cents a pound.

Q.—6½ cents, Exhibit 67; 7 cents, Exhibit 68.

Mr. Pooley: That depends on the cost of steel, I suppose? A.—It depends on the market, certainly.

Mr. Taylor: Overhaul in construction, material, four miles free haul, per ton per mile? A.—\$1.

Q.—No price, Exhibit 67; 65 cents, Exhibit 68.

Mr. Maclean: By the way, when Foley, Welch did the work on the Grand Trunk Pacific, how did prices generally compare with prices when they were doing the work for the P.G.E.R.?

The Secretary: Exhibit 68 is dated May 21st, 1912; Exhibit 67 is January 6th, 1908.

Mr. Maclean: Prices, I think, were way up.

Mr. Taylor: Well, we had better not give evidence. Now, what was your price for ties? A.—50 cents.

Q.—Do you know what the price on the Grand Trunk Pacific was for ties? A.—No, I do not.

Mr. Hanes: Mr. Callaghan, were ties paid for on the Grand Trunk Pacific as first and second? A.—I don't know.

Q.—How is it; you were a resident engineer, were you not? A.—I was divisional engineer.

Q.—You were divisional engineer; I will ask you again, were ties paid for in that way?

A.—We didn't handle the ties. That was a different department to the tie department. We didn't handle ties. The purchase of ties was handled by a tie-purchasing department.

Mr. Taylor: You notice that these prices that Foley, Welch & Stewart had up north didn't include track-laying or surfacing, where the big figures come in for ties and all that sort of thing; that work was done by some person else? A.—Done by the Railway Company.

Q.—What they had to do was to do the rough grading? A.—I believe they did the grading and timber bridges.

The Chairman: No overbreak in those figures?

Mr. Taylor: No overbreak, also, in those figures; where there is overbreak in this figure, what is your overbreak prices? A.—On the Grand Trunk Pacific the sub-contractor was allowed on the contract price for solid rock, unless in the judgment of the engineer the contractor had needlessly brought down more material than he need; it was all left to the judgment of the engineer.

Q.—What is the overbreak price in these specifications of yours, Exhibit 4? A.—\$1.35.

The Chairman: Then, does that apply the same with the Grand Trunk Pacific, with the sub-contractors; did they get paid for overbreak? A.—Oh, yes; they would get the same; they would get so much solid rock, whatever it was; it was left to the judgment of the engineer as to how much he would allow, or whether he would allow any.

Q.—whether he would allow any of it? A.—Yes.

Mr. Maclean: I noticed that there was a considerable difference in the prices that Foley, Welch & Stewart got under Exhibit 67 and under Exhibit 68; what made that difference? A.—67—I don't know what part of the country that is.

Q.—67, Prince Rupert to Copper River, and 68 is Tete Jaune Cache to Aldermere.

Mr. Davis suggested that dates should be compared also.

Mr. Maclean: Do you know the date when they were made?

The Secretary: May 21st, 1912, Tete Jaune Cache to Aldermere; and 67, Prince Rupert to Copper River, is 1908.

Mr. Maclean: Copper River, 1908; which is the higher one; is it 67 or 68? A. (Secretary).—68 is the higher one.

Mr. Maclean: Yes.

Witness: That is 1912.

Mr. Pooley: Which would be the most difficult section of the two—the Prince Rupert section or the Tete Jaune section? A.—Well, I would say the Tete Jaune Cache section, as far as transportation is concerned, unless there were some labour conditions or something of that kind that was not common to both. I would say that the one in the interior.

Q.—Was there any difference in the labour market between 1908 and 1912? A.—Well, I am not going to say; I am not familiar enough.

Q.—Do you know what the scale of wages were? A.—No.

Mr. Taylor: Speaking of overbreak, the Grand Trunk Pacific specifications provide that overbreak composed of materials in slides, slips, and subsidences will not be paid for unless in

the opinion of the engineer such occurrences were beyond the control of the contractor, and would not be preventable by due care. A.—Yes.

Q.—Your specifications give overbreak apparently without that limitation, \$1.25, and as compared with solid rock, \$1.45? A.—Yes, it has a limitation also.

Mr. Taylor: I see in paragraph 8 of this exhibit it says: "In solid rock cuttings, save as herein provided, no solid rock excavations will be allowed for beyond the limits of the base and slopes as specified. All solid rock loosened by slides or explosives beyond the base and slopes as specified must be immediately removed at the expense of the contractor: Provided, however, that when the contractor has, in the opinion of the engineer, used reasonable care in blasting, and otherwise not to cause such slides or overbreak, the same, when it actually requires handling for its removal, will be paid for at the schedule rate in the attached proposal for 'solid rock excavation beyond the base and slopes as specified.' No payment will be made for material resulting from overbreak or slides in rock cuttings when such overbreak or slide material falls free of the road-bed and requires no handling for its removal." That is the provision you referred to? A.—Yes. In the first specifications that we adopted it was not so specific as that, and one of the reasons for revising this was to get better control over the overbreak. The contractors were claiming overbreak even though they did not have to handle it; and they said it came down, and it could not be prevented.

Q.—That is one of the things you have to watch very carefully with stationmen and contractors, because they will increase their overbreak if they can? A.—Very often, yes.

Mr. Hanes: Did you say yesterday that the Grand Trunk Pacific did not have their quantities listed before the contractors put in their bids? A.—I don't think I said that.

Q.—Oh, you just said in some cases? A.—I don't know whether they did or not.

Q.—In this Exhibit 67, in this schedule I notice that the quantities for clearing and grubbing solid rock, and excavations, overhaul, and piling, and so on, it is all specified; the quantities are there so that the contractor could figure about what class of work there would be and the quantity. That is good practice, is it not? A.—Oh, the companies do not take any responsibility for the quantities they show when letting contracts, as far as I know.

Q.—Well, I ask you if this is not good practice on behalf of a railway company? A.—No, I don't know that it is; because, if you hold yourself responsible for the quantities, supposing you increase them and the contractor did not finish his work in the time agreed upon, he might say: "You told me there was only going to be so many yards in material, and I only organized to do that much work"; and the intention is that he shall be vigilant as to what is going to be done and what is likely to be asked him to do, even in addition to what is actually known at the time, so that he will get it all finished within the time limit. The companies don't tell him what it is going to be exactly.

The Secretary: But they usually give him a location plan, don't they? A.—Yes, they usually give him a location plan.

Mr. Hanes: I was asking you if it is not fair practice, or good engineering practice in fact, to supply plans and cross-sections and the approximate quantities to the contractor, so that the contractor can use his own judgment as to the approximate amount he would have to handle in the various work that he would have to do. A.—No, they don't supply any cross-sections. They show in the profile and the centre lines, and that is only approximate and is subject to change at any time.

Q.—But isn't it good practice to supply the contractor with the approximate quantities of the work to be done, so that the contractor will know the various quantities and the various classifications under which he would be expected to do the work if he was successful? A.—I don't see that it is particularly good or bad. Probably it is a desirable thing to do, but the company itself, as a rule, would want to know that, anyway, for their own information, so as to know how much money to provide for the work.

Mr. Taylor: Doesn't it go farther than that; when the centre line is run and the location profile is made, they are always accompanied with a schedule showing the approximate quantities. A.—Yes.

Q.—That is for the information of sub-contractors and stationmen, as well as for the information of the company building the road; isn't that right? A.—Yes.

Q.—And isn't it a fact that sub-contractors cannot intelligently go out and look over the road for the purpose of giving prices on it without first having their centre line and location profile? A.—Yes, they could.

Q.—Now, how did you intelligently handle this road with P. Welch in fixing these prices in the beginning, when you did not even know, as you said last night, where the road was going to go, and if the sub-contractors cannot go out and contract for a road without having the profiles and centre line, they cannot fix the price. A.—I didn't have anything to do with fixing the price.

Q.—I think the contract said you had to fix something; let us see it. A.—It says we will agree on the specifications.

Mr. Hanes: Not the price? A.—No.

Mr. Taylor: It says "according to the specifications to be settled between the contractor and the chief engineer of the Company," but not the prices. Now, how could a man like P. Welch contract in connection with this road, with any degree of safety, without having the centre lines and without knowing where his road was to go, and without having profiles, and without having specifications, if it is true that even the sub-contractor will not go out and sub-contract to build a section of the road without having profiles and centre lines. A.—Oh, well, he would know that the specifications would be somewhat in line with what is usually drawn, and he would also know the general character of the country between Fort George and Lillooet.

Q.—Well, what is it that applies to P. Welch that does not apply to a sub-contractor? We have the condition precedent which applies to a sub-contractor before being able to give a price he has to have these things, and why doesn't that apply to P. Welch? Of course, he could make his prices so large it would not make any difference as to where the road would go. I just want to give you a chance to explain that. A.—I think the character of the country through which the Grand Trunk Pacific is constructed and the character of the country through which the P.G.E. is constructed is very, very similar, and I think it is a very safe guide as to what the prices would be. They would be practically the same.

Q.—We want to see what the sub-contractor's prices actually were after he had his centre line and profiles. You told us you had not got those sub-contracts, and you told us last night you were instructed from time to time to change the classifications so that the stationman or sub-contractor would pull out even? A.—Yes.

Q.—How could you change the classifications without the sub-contractor knowing what his prices were? A.—We had the contracts of the different parts of the line, or, rather, the prices.

Q.—Well, will you produce the prices that were furnished you by P. Welch of all the different parts of the line? A.—Yes.

Q.—Are they here? Just produce them, please. I would like to have everything you have along the line of prices that P. Welch had with his sub-contractors and stationmen. A.—We had a great many from time to time and they have not all been preserved in their order.

Mr. Maclean: Well, Mr. Callaghan, did you have contracts? A.—I did not have contracts, no. I just had a memo. of some parts of the line here, and on some other occasion of some other part of the line, and I would carry them sometimes in my pockets and would give them to the divisional engineer, and he might have preserved them.

Q.—Were there contracts with the sub-contractors? A.—No, there was no contracts. It was just a memo. showing the standing on the contractor's books.

Mr. Maclean: Do you mean the stationmen; there was no contract with the stationman? A.—I don't think I ever had anything to do with that. The resident engineer and the provisional engineer will know something about the stationmen's prices, but I would not. I would not know that.

Mr. Taylor: You understand that I am asking for everything you have showing P. Welch's prices with the sub-contractors or stationmen and everything else? A.—Yes.

Q.—That is, I want everything. A.—Yes, I will give you that. This is not all of them. I never did have all of the sub-contracts, but this is all I had.

(Document marked "Exhibit 76.")

Mr. Maclean: This is a memorandum of the sub-contractor's contracts. A.—It is a memorandum of the prices he was receiving and the standing on the P. Welch books.

Q.—Of the prices paid to the sub-contractors, isn't it? A.—Yes; that is, as far as I know. That is my information.

Mr. Taylor: I would like to see these when they are marked. Now, Mr. Callaghan, have you produced every—every memorandum, statement, or writing of any kind whatsoever that would show the prices that P. Welch had with any of his sub-contractors, or any of his stationmen, that are in your possession or under your control, either here or in Vancouver? A.—Yes: as far as I know, these forms are usually kept, and very often I would carry them out on the line with me, and some got worn out and some got lost, but the most that I ever received are there.

Q.—You have produced everything, to your knowledge, that has ever in any manner been in your possession for the last six months. A.—Yes, for the last three years. There were probably some little ones that I mislaid the memos. of.

Q.—And I understand that you have not any copies of the contracts or memorandum of contracts between P. Welch and these people, or between the sub-contractors and the stationmen? A.—No, only this form.

Q.—There was a long list of prices added to the original contract, signed by Mr. Tate, accepted by Mr. Welch per Mr. White, on October 6th, 1916. It is a very important one and refers to fencing, telegraph-lines, section-houses, turntables, roundhouses, blacksmiths' shops, water-tanks along the line, and all that sort of thing.

Mr. Maclean: That is that section in Exhibit 3.

Mr. Taylor: Yes, attached to Exhibit 3.

Mr. Maclean: The amendments.

Mr. Taylor: Commencing October 6th, contained in one, two, three, four, five, six sheets—six sheets. So that you see what I am referring to I will just show you this. Did you prepare the specifications for those things that are therein referred to and for which those prices are given? A.—Yes.

Q.—Have you got those here? A.—Yes, we have them here. They will be here somewhere.

Q.—Will you produce them, please?

Mr. Hanes: Mr. Callaghan, you just stated you did not fix any prices that were not mentioned in the contract—only the specifications, you said? A.—I think that is the only thing. I don't remember of any prices being fixed.

Q.—Well, Mr. Taylor has just read to you a document showing you certain prices were agreed upon between Mr. Tate and the contractor? A.—Yes.

Q.—Do you mean to say that Mr. Tate himself acted as the engineer and accepted those prices?

Mr. Taylor: He fixed them.

Mr. Hanes: He fixed them? A.—Yes.

Q.—He made the prices? A.—Yes.

Q.—And you had nothing to do with it? A.—It was very seldom he ever asked me anything about it.

Q.—Now, take, for example, the Chesterfield Wharf in North Vancouver, wasn't there an estimate put in to the Government for the construction of that, for something like \$5,600, roughly? A.—Whatever the estimate was for the tender at that time, there would be force account work there for raising the deck of the old wharf. The wharf, as you will remember, that the city had there was at a lower elevation than our grade.

Q.—Well, what I am going to ask you is, if the materials for the wharf, at Mr. Welch's prices, cost in the neighbourhood of, say \$2,700 or \$3,000, then why was not that put in to the Government according to how it is put into the contract at a cost plus 15 per cent? You say that is a matter between Mr. Welch and Mr. Tate? A.—Oh, yes; anything that is not covered by the prices in the contract that we have here.

Mr. Taylor: And Mr. Tate would have no expert opinion at all in fixing these prices? They are very large prices.

Mr. Hanes: Well, in this particular case you say you have nothing to do with fixing these prices? A.—No; I remember getting the prices from time to time, but it was very seldom I had anything to do with it.

Q.—It was Mr. Tate who arranged those prices? A.—Yes.

Q.—And the contract calls for any extra work not specified in the contract being done at the cost plus 15 per cent.? A.—Well, they don't confine it to that, but they say that it is to be the price unless it can be agreed upon.

Q.—Doesn't it say "unless agreed upon between the contractor and the sub-contractor"; I would ask you if it doesn't say that? A.—But I don't remember the wording of it sufficiently to say. It is not a matter for the engineer.

Mr. Taylor (reads as follows): "All items of work not included in the above inventory shall be paid for at the prices to be agreed upon between the parties hereto, and failing agreement at cost thereof plus 15 per cent."

Mr. Maclean: It shows the danger of quotations.

Mr. Pooley: It does not say anything about the engineer.

Mr. Hanes: Well, I was mistaken in that. That was the clause I was referring to. Now, Mr. Callaghan, take the roundhouses at Squamish; you say you had nothing to do with the fixing of those prices, but it was a matter between Mr. P. Welch and Mr. Tate? A.—I think it was entirely a matter between P. Welch and Mr. Tate.

Q.—And the same thing applies to the oil-tanks. You had nothing to do with that? A.—Well, I was asked something about the oil-tanks with reference to the weight—what the weight of the steel in it would be. I was asked that as I recollect it.

Mr. Taylor: Now, Mr. Tate is a barrister, and he has told us that he has had no qualifications as an engineer, and here are some of these items: "Material and erection of fuel-tank line, capacity of 40,000 barrels, at Squamish terminals—C. E. bills, etc., etc.,—see drawings—\$31,000." Now, you did not fix that price with Mr. Welch? A.—No, I did not fix that price.

The Chairman: Mr. Tate fixed it? A.—Yes.

Mr. Taylor: We will take some other illustrations: "Material and erection of a turntable at Squamish terminals—C. E. bills."

Mr. Maclean: What is C.E. bills?

Mr. Taylor: As per chief engineer's bills. You drew the material and quantities, but you did not fix the prices? This is \$7,000; you did not fix that price or have anything to do with it? A.—I have no recollection. If I did it would be in the correspondence. It was some time ago, and I do not recollect anything about it.

Q.—Take another one which Mr. Tate had to do with: "Material and erection one engine-house, and sewer complete, at Squamish—C.E. bills." That is in the same position; they are all in the same position, including that? A.—Well, it was some time ago, and I don't recollect that. You can refer to the correspondence.

Q.—You will agree with me in this: For a man to fix those prices he would need to have a knowledge of that particular construction? A.—No; I think that price was fixed after the work was completed, so that they knew what the cost of it was. That is my understanding.

Q.—Now, when do you say the work was completed on those things? A.—Well, I don't recollect.

Q.—Well, about what time? A.—Oh, I could not tell you. I could not tell you when it was finished.

Q.—Couldn't you tell us any one of those things? Take the fuel-tank and pipe-line; about when was that complete? About what month of what year? We are now in March, 1917? A.—I would not be surprised if that was done some time in 1914.

Q.—It was complete in 1914? A.—Or it might have been 1915.

Q.—It might have been 1915? A.—That can be shown by the correspondence when the work was started.

Q.—The price was fixed in October, 1916? A.—Well, it is likely that it was done in fifteen days.

Q.—Do you know any particular reason for fixing those prices in October, 1916—in this year? A.—No, I don't, unless it was that these various works were finished by that time and it was known what they had cost.

Q.—Had it anything to do with the elections in September? A.—Not that I know of.

Mr. Hanes: Mr. Callaghan, you just stated that these prices were finally determined, or the cost was finally determined, before these arrangements were made about prices. You stated the work was finished? A.—No; the prices, as I understand, were arranged after the work was done and after it was known what it had cost.

Q.—Yes, that is what I understood. Well, assuming that the Company knew what the work cost, wouldn't the clause in the contract whereby extras like that were done be the one to guide it? Doesn't the contract say that it shall be done at the cost plus 15 per cent.?

A.—Unless they agree on the price, and apparently they agreed on the price.

Q.—Well, if this price that they agreed on is 50 or 60 per cent. over and above the actual cost, would that, in your opinion as chief engineer, be in excess, under that contract, of what it should be? A.—Well, I don't know. I never saw the statement.

Q.—Well, I am asking you that as chief engineer of the Railway Company; if this was paid for at a plus of 50 or 60 per cent. above cost, would that be too much? A.—Yes, I think so.

Mr. Taylor: If that tank and other things were complete in 1915, you must have turned in your estimates to the Government for them, and, if so, on what terms and basis did you do it, seeing the prices were not fixed until 1916? A.—The prices—that was supplied me by Mr. Tate.

Q.—Would you mind showing me the prices that were supplied when this work was constructed a year before? These prices were fixed? A.—Well, I don't think they were settled. I don't think you will find there was a price made on the engine-house; it was left in abeyance until a price was agreed upon, but it might have been that the concrete-work was fixed upon. That had a price fixed and would be estimated at so much a cubic yard, but whatever was done outside of the concrete-work it would not be on the estimate. It was left in abeyance until these prices could be fixed.

Q.—Take the pile foundations. I suppose you would return in the year before an estimate of the cost of that piling at so much a pile? A.—Yes, I think that will be in the estimate; I think so.

Q.—Now, how would you square that with the Government certificates when you got a price in 1916 for the whole structure, including the pile foundation? A.—Well, if that is a fact, the piles were never returned for before in the other way you mention, if that is so.

Q.—Were you careful to deduct all you had allowed for piling and concrete after these prices were fixed, or do you think now that there was any possibility of an error being made in turning in those prices as fixed by this schedule of October, although the same thing had been paid for as concrete and piling foundations? A.—I am satisfied that nothing was estimated for twice.

Mr. Hanes: You say that nothing was estimated twice? A.—Yes.

Q.—Or paid for twice? A.—Yes.

Q.—Now take the Capilano Bridge? A.—Yes.

Q.—How often, to your knowledge, was that bridge washed out, or the portion across the stream? A.—I don't know. It must have been four or five times, or something like that.

Q.—How often was it repaired? A.—Well, just as often as it was washed out it was repaired.

Q.—Isn't it a fact that it was twelve or thirteen times washed out and repaired? A.—Well, I don't think it was that many. I don't think it was over six times. It might have been six times, or something like that.

Mr. Maclean: As far as you know, was there anything unreasonable about these prices received by Mr. Welch for this work? A.—No, there was nothing unreasonable that I know of.

Q.—Would you say they were reasonable? A.—As far as I know, they are; I don't know anything to the contrary.

Mr. Taylor: You took the prices that were given you and you did not trouble your head about anything else, and the responsibility about that was with Mr. Tate and not with you. A.—Yes.

Q.—That is your position? A.—Yes.

Mr. Hanes: Now, referring to the Capilano Bridge, isn't it a fact that the Government has already paid for every time that that bridge has been washed out and repaired? A.—That is the intention.

Q.—I am asking you if it is not a fact that it has been paid for every time? A.—I think that it has been paid for all in one bill, or it was all rendered in one bill.

Q.—Yo say it is the intention of the Government to pay for it every time it washes out? A.—Yes, certainly.

Q.—Now, just on that point, as chief engineer, have you prepared a plan for a proper bridge to be built there? A.—Yes, we have a plan. We have made a plan for a proper bridge.

Mr. Pooley: What do you mean by a proper bridge? A.—It needs a couple of spans about 125 feet each in length to clear the channel properly, but owing to the lack of funds we have never felt able to undertake it.

Mr. Hanes: When was that plan made—just approximately? A.—The plans would be just our general plans for similar spans, and they were made in 1913 or 1914. We did not have to make any special plans for that, only for the foundation, and possibly not even for that.

Q.—Well, will you produce the plan of the bridge which you propose to construct there? A.—It is not planned out in detail. There is a plan made for the foundations and we could put them under some other length of span. We have been trying to get steel spans.

Q.—What did you propose to build there—a steel span or a wooden span? A.—Well, I intended to build a steel span there, but not at the present prices.

Q.—Has the Government given any money for spans there? A.—No.

Q.—So, as an engineer of this road, you state that the Government should pay for that trestle as often as it is washed out. A.—Yes, certainly; the railway must pay for it.

Q.—Isn't it on account of poor work on the part of the engineer that a proper span was not put in there that has caused this trouble? A.—Not exactly. It is on account of filling a right-of-way agreement; that we had to make such haste we had not the time to do this work as it should have been.

Q.—Well, isn't it a fact that in other places you built proper bridges? A.—Yes. The difficulty is that the Company entered into a certain agreement to finish the line at Dundarave within something less than six months, and there was not sufficient time to get the material for a proper bridge.

Q.—Well, that was in 1916? A.—Yes.

Q.—But there had been sufficient time since? A.—Yes, but ever since that the finances have been such that they have not felt justified in doing it. It is just as cheap for the Government, or whoever is to maintain the bridge, to replace that bridge. It does not cost any more, on an average, than it would on the interest of the money that would be invested in a proper bridge.

Q.—Just taking up that point; isn't it a fact that the Government has paid out some \$9,000 or \$10,000 for the replacement? A.—Yes; or at least we have submitted an estimate for it.

Q.—How much would it cost to build a timber structure there which would be proper, over that span which has been washed out? A.—With proper foundations and everything, \$150,000.

Q.—I am referring to the timber span? A.—Yes. The foundations would be expensive.

Q.—What about the piling? A.—Well, I would not want to put in piling.

Q.—Well, how much of a span, in your judgment, is necessary there? A.—I think two 125-foot spans are necessary to be put in.

Q.—Now, with reference to this \$9,000 or \$10,000 that the Government has paid for that work, did you have any man on the job there to keep any check of the amount of work that was done? A.—No.

Q.—Well, then, it is a fact that the bills for work on each occasion when it has been repaired—washed out and repaired—have been accepted by the Company just as handed in by the contractor? A.—Well, I sent one of the men from the office to investigate how the account stood in P. Welch's office in regard to that, and fixed up an account for submission and the payment of it, and that was done.

Mr. Taylor: Have you got the right-of-way plan here this morning?

Mr. Taylor: Not the right-of-way plan.

Witness: We have the right-of-way plan on the Exquimox Reserve.

Q.—Well, you had better produce them all at the same time. Produce them on Monday if you have not got them to-day. A.—Do you want the right-of-way plans right through to Fort George?

Q.—Yes. A.—All right.

Q.—And a plan showing those terminals at Squamish—the 40-acre purchase; the 40 and 80 acres, have you got this here? A.—Yes. (Produces same.)

Q.—That is the plan, is it?

Mr. Maclean: Are you going to put them in separately or all together?

Mr. Taylor: This plan is of the 40 and 80 acres, and also of the right-of-way. It seems that the acreage is 80.05 and 54; that is 134.05 acres, it seems to be.

Q.—That is Exhibit what? A.—This is the area covered red.

Mr. Maclean: That is the right-of-way plan of Squamish? A.—Yes, within the limits of D.L. 4261 and 4262, New Westminster District.

Mr. Maclean: 4262 and 4273—and across river; isn't that it? A.—Well, the parts that are coloured are in the lots that I have mentioned, anyway; and the part across the river is not coloured in this plan.

Mr. Taylor: That will be Exhibit what?

The Secretary: 76.

Mr. Maclean: 76 is the memorandum of prices.

The Secretary: There is no 76.

Mr. Maclean: What is your 75?

The Secretary: The statement of the sub-contractors.

Mr. Taylor: I will now file the Order in Council and the Minister's certificate as to the amalgamation of the Howe Sound & Northern Railway and the Pacific Great Eastern Railway. (Document filed as Exhibit 77.)

Mr. Maclean: What are these cross-sections, Exhibit 73? I have a letter of August 12th, 1912, marked as an exhibit.

Mr. Hall: That did not go in.

Mr. Maclean: Well, I want it in. You read it. Where is that letter of August 12th, 1912? Mr. Callaghan, I want that letter of August 12th, 1912, from you to Foley, Welch & Stewart, the contractors at St. Paul, regarding the steel structures. I thought that was in before. That will be what exhibit?

Mr. Hall: Mr. Taylor has already read one in just now.

Mr. Taylor: Yes; Exhibit 77. Don't let us get mixed up. I have put Exhibit 77 in, which is this Order in Council, and Mr. Maclean is now filing something which is Exhibit 78; is that right?

Mr. Maclean: Well, this is 78 then.

Mr. Taylor: Mr. Callaghan, I want you to produce the plan and specifications for all those roundhouses, water-tanks, oil-tanks, section-houses, turntables, etc. Have you got them here?

Mr. Maclean: I want this letter in. I would like to have it marked.

Witness: The water-tank is built from the plan, and the bill of material is on it, without any other specifications.

Mr. Taylor: What is that? A.—The water-tank is built from a drawing.

Q.—And no specifications? A.—Well, the bill of the material specifies the size of the different parts.

Q.—You have that attached, have you, in each case? A.—The tanks are different sizes, you know, according to whatever is ordered.

Q.—Well, you have those copies of bills of materials there, have you? A.—Well, they will be here. We will get the tank bill; it is not here now.

Q.—Well, you had better keep everything until you can attach everything together as one Exhibit.

The Secretary: What is this exhibit which you refer to, Mr. Maclean; what is this letter taken from?

Mr. Maclean: That is a letter from Mr. Callaghan to Messrs. Foley, Welch & Stewart, at St. Paul, with regard to the steel structures they are ordering.

Mr. Hanes: Did you say steel structures? A.—It has the metal parts of the Howe-truss pinions.

Mr. Taylor: Aren't you prepared, with regard to some of these things, tanks and oil-houses, to tell us what percentage above cost P. Welch was getting, as shown in this schedule here? A.—No, I have no idea.

Q.—Who does know? A.—I suppose P. Welch would know.

Q.—Is he the only man who would know? A.—As far as I know he is.

Q.—And you don't know whether it was confined to the 15 per cent. above the actual cost of material and labour, and whether it was 50 or 60 or even 100 per cent., or what it was? A.—No, I don't know what it was.

Q.—Have you any idea on the subject? A.—No, I have not.

Mr. Hanes: Does that oil-tank belong to the Railway Company? A.—I believe it does.

Q.—Or to the Development Company? A.—I think it belongs to the Railway Company now. Originally I don't know who bought it. P. Welch apparently paid for it.

Mr. Taylor: Is it on the Development Company's property or on the Railway Company's property? It cost \$31,000. A.—It is possibly on the Development Company's property. It might be outside of the right-of-way; I would not be positive.

Mr. Pooley: That is the property on which the Railway Company has an agreement of purchase? A.—Yes; I guess it would be on that property that the railway has agreed to purchase. It is down close to the tide-lands.

Q.—Do you know whether the Oil Company, as a matter of fact, does not pay for those oil-tanks themselves and furnish them to the railway for their use? A.—No, I don't.

Q.—Do you know anything about that? A.—No; but I don't think it is reasonable.

Q.—Have you ever had any information as to who has paid for those oil-tanks on the C.P.R.? A.—No; that might be given them for the privilege of storing oil there for other parties, and they might put a tank there in that way; for instance, the C.P.R. would give them the privilege of supplying boats, and no doubt they would build them free for them rather than buy a site for them.

Mr. Maclean: But there is nothing like that in this case? A.—No, not in this case.

Mr. Taylor: Nothing that you know of? A.—No, nothing that I know of.

Q.—After granting those certificates to the Government for those oil-tanks, did you know that they were situated on the Development Company's property instead of on the Railway Company's property? A.—No, I didn't consider that.

Mr. Hanes: Well, when you paid for the fills in the Squamish yard for some material or fill, did you know that that was on the Development Company's property? A.—Well, the Railway Company was occupying it, and that was sufficient for me.

Q.—Well, as chief engineer, did you have instructions from some official of the Company to build the tracks in there? A.—Oh, it was decided by myself and Mr. Stewart that that was the most suitable site for a terminal yard.

Q.—Well, what I was asking you was, you were instructed to build them on that property? A.—Well, I recommended that site for the location of it.

Q.—Well, did you know at the time it belonged to the Development Company? A.—I knew if they did not own it they were endeavouring to get title to it. I knew that.

Mr. Hall: You knew they were negotiating? A.—Yes; I knew that the parties were negotiating for the property, if they had not already secured it.

Mr. Taylor: You had a visit from the Honourable John Oliver some time ago? A.—Yes.

Q.—And he discussed several things with you? A.—Yes.

Q.—Amongst others, did he discuss a proposition of timber bridges, I think it was, that were built by Culliton? A.—Yes.

Q.—And did you give him that slip of paper? A.—Yes, I gave him that slip; but there was not that much difference, though. As a matter of fact, it is 430,000 feet instead of the 503,000 as shown in that. After checking it up more closely I find out there is not that much difference.

Q.—What is the price per thousand allowed to P. Welch? A.—The schedule prices?

Q.—It would be 45, wasn't it? A.—It was 45, and part of this material called for higher prices. Some of it would be more than 45.

(Document marked "Exhibit 79.")

Q.—This document shows that P. Welch was allowed 503,796 feet more than you allowed to the contractor who actually supplied the timber and built the bridges? A.—No; the other party only had a contract for the labour. Culliton Bros. only supplied the labour and P. Welch supplied the material. And the intention is that P. Welch will be paid for the material that he had to supply to build this bridge; and I have secured copies of the invoices from John Hanbury & Co., and from the Hastings Saw Mill; and it shows it was necessary for P. Welch to pay for the dimensions that were used and for the quantities arrived at in that estimate.

Q.—I will again refer you to the copy of specifications which you say are not the proper specifications. It is the printed one, and it is attached to Exhibit 8.

Mr. Maclean: It is Exhibit 74. That is the one they say is unauthorized.

Mr. Taylor: Well, it is that printed one, which, although you say is revised and in your possession—it contains this clause with regard to this very subject-matter. It is section 6, page 1—"timber structures" heading: "The quantities paid for shall in all cases be the quantities of material left in the work, but if the total finished weight of each of the various classifications of iron built on the Company's plans exceeds the calculated weight based on the dimensions shown on the plans and bills of materials, not more than 2 per cent. above said calculated weight shall be paid for."

Mr. Pooley: Read that again.

Mr. Taylor: Very small. (Reads same.)

Mr. Maclean: That is in the unauthorized specifications.

Mr. Taylor: In Exhibit 74.

The Secretary: You did not mark that copy which you have there.

Mr. Taylor: I have marked it myself.

The Secretary: This is the exhibit that is in.

Mr. Maclean: Now go on with the explanation, because I want to put these bills in that Mr. Callaghan has here. Now just explain what it is that my learned friend is driving at.

Mr. Taylor: In Exhibit 74. A.—The meaning of that clause in any specification means that it is the timber that is necessary to build a structure; that is, what is left in the structure; it is not contemplated by any specifications anywhere that a deduction shall be made for the parts that were necessary to be cut away. But if there was something left of service to take away somewhere else, of course that would not be estimated for.

Mr. Maclean: Timber is supplied in commercial sizes? A.—Yes.

Q.—Supposing you want to put into a structure a timber 19 feet 6 inches long? A.—Yes.

Q.—You have to buy a timber 20 feet long? A.—Yes.

Q.—And you have to pay for it, don't you? A.—Yes.

Q.—Now, what will you allow and what is proper to allow in respect of the amount of timber that goes into a bridge in that way? A.—We would allow him for the 20 feet.

Q.—And the 6 inches would have to be sawn off? A.—Yes.

Q.—Now, then, produce the bills showing the timber that was actually supplied to go into the structure that my learned friend has referred to. A.—Here are some of them.

Q.—Are these all the bills? A.—No, I haven't all of them. These bills here are just to show what the mill practice is in the way of charging for this lumber. I did not ask them for all the bills, but this shows the practice of the mill, and any sawmill-man is familiar with that; and that is the reason I got these samples.

Mr. Taylor: You are referring now to Exhibit 80, showing a bunch of bills? A.—Here is the timber that was charged for.

Mr. Maclean: Charged to P. Welch, was it? A.—It is shown on the bill as 19 feet long, but it is computed as a 20-foot stick when he buys it.

Q.—That is, he pays for 20 feet? A.—Yes.

And here is one 23 feet some inches, and it is extended as a length of 24 feet, and another 27, and it is extended as a length of 28 feet.

Q.—And would those bits that were cut off be of any use to him? A.—No. It is not the practice of any railroad to deduct anything for that. In fact, that is the general understanding of the specifications, that the timber that is left in the structure means what you have to purchase, to complete the structure. If you take that language literally like that, you would have to deduct for all the auger-holes and all the cuts that are made, and everything that is taken away from the post.

Mr. Hanes: Now, are you speaking seriously when you say that; that you say you would deduct for auger-holes? Are you speaking seriously as an engineer? A.—Yes, when you say you don't have to pay for the material that a man has to purchase to build railways; that is an unreasonable position, and there is no railway company that I know that takes this position.

Mr. Hanes: Well, I was not suggesting that there was.

Mr. Maclean: Well, that is a mare's nest.

Mr. Taylor: It is not a question of a mare's nest; it is simply a question of getting the facts out, and we have no interest one way or the other.

Mr. Maclean: I know you just got a little on the wrong track. I am sure you will abandon it when you hear the explanation.

Mr. Taylor: Don't be too sure of that. Whilst we are after the explanation, I cannot see—it may be my fault—why you would have in this printed specification Exhibit 74, even though it was not used—I cannot see why you would go to the trouble of printing this clause if it does not mean what it says. "The quantities to be paid for left in the work"; now, does it mean the quantities left in the work or the quantities that were bought? A.—It means the quantities that would have to be purchased.

Mr. Pooley: Is that a stereotyped clause that goes in all these specifications? A.—Some of the specifications don't say anything about it. Take the C.P.R. specifications, which we adopted for our structures; it does not say anything about it.

Mr. Hanes: Did Mr. Welch pay for the timber in the structure, then? A.—Yes.

Mr. Taylor: I am coming to that just now. The language in these specifications is intended to prevent undue waste. It is to prevent running a large amount for materials which you have no check over; for instance, these sawn ends and that kind of thing, and you increase the price—instead of paying \$40 per thousand, which would be the price if you allowed him to buy it in that way, you increase the price to \$45 per thousand, and measure only the quantity that goes into the bridge; is that it? A.—No.

Q.—Well, what did you mean when you prepared that specification? A.—I did not prepare the specification at all.

Mr. Maclean: He says he did not prepare that specification. We have thrashed that out.

Mr. Taylor: Just a minute. Did I understand that you did not revise or prepare that specification? A.—No, I did not.

Q.—Who prepared that and had it printed? A.—Stewart, the chief draughtsman; as I understand it from what I can find out just now, he got a specification similar to that.

Q.—Who is Stewart, the chief draughtsman—is he in your office? A.—He was in the office, but he is in France now, I believe.

Q.—What is his first name? A.—James.

Q.—James Stewart, your chief draughtsman in your engineering office, as engineer—he prepared those specifications? A.—Yes.

Q.—Did he submit it to you? A.—No, he did not.

Q.—Did you revise it? A.—No, I did not revise it.

Q.—Who revised it? A.—That word "revision" on there, as far as I can find out, was used because the same word was on this one.

Q.—This being Exhibit 4. A.—That was used there, so it was put on this.

Mr. Hall: Exhibit 6.

Witness: What might have been put on there was the date it was printed. That was the only thing. There was no revision made.

Mr. Taylor: Let us get at this thing again. Culliton, the man in this second column here—we have two columns in this Exhibit 79—P. Welch in the first column is allowed 16,044,359; and Culliton is allowed 15,540,563 feet, and you say Culliton had to do simply the labour. He had so much per thousand; that is how his labour was paid for, was it? A.—Yes. He had a contract for putting the material in the structures.

Q.—Yes, exactly, at so much per thousand; is that right? A.—Yes.

Q.—Now, at so much per thousand you paid him at 15,540,563 instead of 16,044,359, being what you allowed P. Welch. That is a fact, isn't it? A.—Yes; that is, with a correction of some 70,000 feet that should come off of that.

Q.—But without that correction that you have already mentioned the difference was something like 503,796? A.—Yes, but it should be 443,000-odd.

Q.—At \$45 a thousand to P. Welch, it made a difference of how many thousand do you say—433,000—call it 430,000.

The Chairman: At \$45 a thousand.

Mr. Taylor: That is \$19,350. Was this the bridge-work? A.—That is the bridge-work—the two and three years' work.

Q.—Several bridges? A.—Yes. That amounts to, I think, less than 3 per cent.

Q.—What do you mean by 3 per cent? A.—Anyway, it shows that Culliton got about 3 per cent. board measure less than P. Welch did.

Q.—The difference is very easily figured out. Just divide the 16,000,000 into 433,000, and that gives the percentage. A.—The engineer, when he figured that up—it did not matter.

Q.—It does not matter whether it is 3 or 300 per cent.; it is just the principle? A.—The engineer figured he would just give Culliton the actual timber that he left in the structure, and he would allow P. Welch payment for everything he had to purchase and transport to the site of the work. He had to take it over to Squamish and deliver it at the side of the bridge.

Q.—P. Welch had? A.—Yes; and Culliton just had the work of putting it in place.

Q.—Well, Culliton would have to saw off all these odd-ends? A.—Yes.

Q.—And he would have to lift them—handle them, and put them out of the way, wouldn't he? A.—Yes.

Q.—Now, how is it you pay him for the timber in the bridge? It seems to coincide with paragraph 6 of Exhibit 74. Why do you put that interpretation on Culliton and a different interpretation on P. Welch? A.—Yes. The matter was brought to my attention by the assistant chief engineer on the work. He wrote me once about this subject, and I answered him, and I told him to estimate this bridge-work to the "nearest foot." That is, provided a post had to be 20 feet and 3 inches long, I told him I did not think the mills would furnish a 20-foot 3-inch post, and it would be necessary to buy a 21-foot post, and he should estimate it at 21 feet; and he found out later that even that was not the practice, and it was necessary to buy even more than a 21-foot post.

Mr. Maclean: Yes; let us have the correspondence. A.—Yes. I will find it and see just what I did say about it.

Mr. Maclean: Exhibit 81 (referring to letter produced by witness).

Witness: That was written on May 2nd, 1914.

Mr. Maclean: Here is a letter of May 2nd, 1914, Callaghan to Crysdale. Who is Crysdale? A.—He was the assistant engineer at this time, and later on divisional engineer.

Q.—*Re* estimating material in timber structures. Now read it. A.—(Reading.) "Replying to yours of April 30th, *re* estimating material in timber structures, will say that this will be estimated to the nearest foot; that is, where a post or other stick according to our plan requires to be, say, 20 feet 3 inches, we would require to pay for a stick 21 inches long, as the mills would not furnish timber in lengths of fractional parts of a foot."

Q.—Is that referred to in a letter from him? A.—No. He mentioned it to me some time later, in the office, and he said that that did not meet the situation. You see, the contractor had to buy it in even lengths, and I told him if that was the case it would be probably fair to pay him in even lengths, if that was the fact; and that is what he did.

Mr. Taylor: I want to take some other matters up with you. What Government supervision was there over this work? A.—Oh, we had Mr. Gamble and Mr. McIntyre up there.

Q.—Not at the same time? A.—Sometimes both together, and most of the supervision was by Mr. Gamble.

Q.—Most of it was by Mr. Gamble? A.—Yes.

Q.—How frequently would Mr. Gamble visit these works? A.—Oh, I don't know that I could say exactly, but quite often; whenever the work required it.

Q.—Oh, just give me your idea of it, because I want to find out, if possible, without getting unnecessary witnesses here. A.—Well, he could speak as to that himself better than I could.

The Chairman: Surely you can give us that? A.—I know he went quite often on the work.

Mr. Taylor: How often—once every two months, or once every month, or twice a year, or what? A.—I would judge it would be at least three or four times a year on an average.

Q.—Now, you call that quite often for inspecting a construction of million of dollars' worth of work? A.—I guess it would be more than that. I would not remember every time, but he went quite often over the work.

Q.—Well, quite often—what does that mean? It might mean to you very often, quite honestly to you, but it might mean ridiculously seldom to others. Now, how many times a year; three or four times a year—is that what you wish to say now? A.—Yes, some years. Of course, during the actual construction it would be very frequent.

Q.—What do you mean—would it be more frequent than five or six times a year? A.—Yes, it would be that at least.

Mr. Pooley: Have you any record of his visits? A.—Yes; occasionally I have put it down, but it would not be complete.

Mr. Taylor: You were about to answer there during active construction how often he visited there; would it be five or six times a year, or what? A.—I think it would be all of that at least.

Q.—Would it be any more than five or six times a year, as your honest opinion? A.—It would be either that or more; that is my opinion.

Q.—Would you say it would be more than eight times a year during the active construction of the work that Mr. Gamble would visit these works of construction? A.—I really think—let me see, now. I have some memo. of my own about that. I will just see for, say, the year 1913 how many times I noted Mr. Gamble's name down. I notice here July 9th. I have it.

The Chairman: That is 1913? A.—Yes, 1913, and July 10th, 1913.

Mr. Taylor: That is one visit. A.—Yes. I was at Quesnel with Mr. Gamble.

Q.—That is when you were settling, at the request of the Government, the question of whether you should run the line along the townsite or across the river. That was for a special purpose, wasn't it? A.—Well, I think that was before that question was raised with the Government. We were looking into the location of the line in that part of the country.

Q.—Just let me see. As a matter of fact, that was brought out by Mr. Fraser, the member for Quesnel, on the floor of the House, if I remember correctly? A.—Yes. That was taken up with the Government in 1915 possibly, but it was not for a year or two later than that.

Q.—Now, you say that was at what time that he visited the work during those two days? A.—July 9th and 10th.

Q.—In 1913? A.—Yes.

Q.—Well, I see in the questions before the House, Mr. Fraser asked the Minister of Railways the following questions: "What steps did the Government take to ascertain whether or not the Pacific Great Eastern could be located through the townsite of Quesnel before approving the location laid out by the Pacific Great Eastern." That is referring to this very subject, and this is dated May 3rd, 1916. A.—Yes. It was the 11th; it was not the inspection of the road—it was the 10th and the 11th of July when we were in Quesnel. We left Lillooet on the 9th.

Q.—But I am dealing now with the inspection of the road. That was a visit by Mr. Gamble for the purpose of deciding what the trouble was at Quesnel? A.—Well, there was not any trouble at Quesnel yet at that time. We knew that the people of Quesnel wanted the road through there, and we would have liked ourselves to have had the line going through the town of Quesnel, and we were looking into the reasonableness of this, as to whether this could be done or not.

Q.—That was by reason of a protest having been received by the Government at the time against your locating your line on the other side of the river? A.—I understood that the people of Quesnel wanted the line in the town, and, of course, we wanted it there also.

Q.—These proceedings have already been filed. The proceedings of the House on May 3rd, 1916. I refer now to pages 117 and 118 of that exhibit. What is the number of it, Mr. Bullock?

Mr. Bullock: 66.

Mr. Maclean: It is page what?

Mr. Taylor: It is already in as Exhibit 66—pages 117 and 118 of that exhibit; they are the questions asked by Mr. Fraser to the Honourable the Minister of Railways, and his answer.

Mr. Maclean: *Re* Mr. Gamble's visit?

Mr. Taylor: Mr. Gamble's visit and the chief engineer.

Q.—Now give me the other trips and not the special trips; that is what I am asking you about. As a matter of fact, it is a quarter to 1 now, and I would suggest that we adjourn now, and that can be asked you on Monday morning and the data prepared by Mr. Callaghan for it. A.—Here is one on April 17th to the 20th, inclusive: "Looking over the work with Mr. Gamble between Cheakamus, Pemberton, Seton and Anderson Lakes, Lillooet and Pavilion."

Q.—That was what date? A.—April 17th and 20th.

Q.—What year? A.—1914.

Q.—Is that the first one you have; the work commenced in October 1912? A.—Yes, 1912 the work commenced.

The Chairman: What memorandum are you referring to? A.—It is the memorandum I prepared from diaries that I keep every year, and April 23rd Mr. Gamble was in the Vancouver office.

Mr. Taylor: Let us get that straightened out. The work commenced in October, 1912, and the first memo. that you have is a visit of May? A.—No; we went over the line some time in 1913—in July.

Q.—That was once in 1913 and once in 1914?

The Chairman: Well, I think that we will agree with your suggestion of adjourning now, because some of us want to get away on that boat. Mr. Callaghan will look all that up in the meantime.

Session adjourned at 1 p.m. until March 26th, 1917, at 10 a.m.

TENTH SESSION.

MONDAY, March 26th, 1917.

Meeting called to order at 10.20 a.m.

Examination of Mr. Callaghan resumed.

Mr. Taylor: General specifications, marked Exhibit 5, and the revised general specifications produced by the Department as having been received February, 1913, are marked Exhibit 4; you know those two specifications? A.—Yes.

Q.—Timber structure; part of those general specifications begins with section 72 in Exhibit 4, and I presume the same in Exhibit 5, and the same in Exhibit 5. In addition to that, you have produced, Mr. Callaghan, or some person has produced—Mr. Tate, I think—and you have given evidence in regard to it, Exhibit 8, as being the specifications for timber structures, beginning with, as I remarked the other day, paragraph 13, and running to paragraph 28. You say that Exhibit 74, printed specifications for timber structures, were never used? A.—No, never, never were used; no, never used.

Q.—Exhibit 74. Have you any specifications to produce, or any memo. that could be taken for specifications, or any letter, or letters, that could be taken for specifications, or additions to specifications, or variations of same respecting timber structures? A.—Only the general specifications.

Mr. Maclean: We put in some correspondence the other day. A.—That is for the metal part; there is the typewritten copy, made on January 20th, 1913.

Mr. Taylor: I am asking this question, don't get mixing it up. A.—No; there is no other timber specifications, only the ones that are in the general specifications; that is the only specification that were ever considered as applying to the contract for the timber structures.

Q.—Let us get that again; I would like to have it definite. A.—Yes.

Q.—Will you follow me closely, please? Exhibit 4, produced by the Department, general specifications; Exhibit 5, produced by you, general specifications; sections 74 to 80, both inclusive, in each has the caption "timber structure"—now, just wait a minute; I want to get this clear.

Mr. Maclean: Go on.

Mr. Taylor: I will start again; will you follow me closely, Mr. Callaghan? Exhibit 4, produced by the Department, being the revised general specifications, sections 74 to 80, and the caption "timber structures"; Exhibit 5, produced by you, general specifications, has the same caption and the same sections; you also produced in Mr. Tate's evidence, and referred to it the other day, as being the specifications for timber structures, Exhibit 8. Now, my question is: Were there any other specifications respecting timber structures throughout this whole work used by you, authorized by you, or any memo. that could be taken as specifications used or authorized by you respecting timber structures; or any letter or letters written by you, used by you, authorized by you, given by you, that could be taken as specifications for timber structures, or variations of such specifications, or additions to such specifications? A.—No. I really don't know that—

Q.—You really don't know? A.—No; my belief is that there was not.

Q.—Your belief is that there were not? A.—Yes.

Q.—You are perfectly clear about that answer, are you? A.—Certainly.

Q.—Now, Mr. Maclean, whilst I was asking the question before, remarked that he has already filed or produced certain letters. I would like to ask my friend Mr. Maclean to say what letters he has filed or produced that have reference to timber structures.

Mr. Maclean: 81.

Mr. Taylor: Produce 81, please. Is this the only one, Mr. Maclean, that you have referred to?

Mr. Maclean: The only one that we have put in.

Mr. Taylor: John Callaghan, Exhibit 81, to C. P. Crysedale, Assistant Engineer, Cheakamus. "Replying to yours of May 2nd"—dated May 2nd, 1914—"replying to yours of April 30th re estimate material on timber structures, will say that this will be estimated to the nearest foot. That is, where a post or other stick, according to our plan, requires to be, say, 20.3, we would require to pay for a stick 21 feet long, as the mills would not furnish any lengths of fractional parts of a foot." A.—Yes.

Q.—Now, pardon me, is there any other letter that you have referred to? A.—Not except that; later on he told me that timber could not be had even in that dimension—

Q.—I want to get the list, to exhaust the list of such things; is there any other letter now that you desire to refer to, or anything else? A.—I don't know that there is. There is some typewritten stuff I found in Vancouver yesterday in regard to these things, but apparently the way that revision comes in here it would appear that it had a pretty short life. This is what is said to be the timber specifications, which says, "Vancouver, September 25th, 1913"; it apparently was typed and revised December 1st, 1913.

Q.—Let me see that, please. A.—It says, "Timber structures, being printed."

Q.—Now, what is this that you now produce, Mr. Callaghan? A.—That is some typed copy, which was in one of the desks there, Vancouver office.

Mr. Hanes: That is, "Timber structures, being printed"? A.—That is what it says.

Q.—What date is that? A.—But, as far as that is concerned, it must be obvious to any reasonable man that it isn't likely that specifications like that would be adopted. It takes away even the price for hauling on timber; that would be a bigger item than this thing you are talking about, the amount of timber that would be in the structure; that would be a small thing compared to what the haul might be if there was a specification like that in force; some of this material is hauled more than one hundred miles.

Q.—Has that exhausted your list? We had better have one thing at a time, and you can give the evidence afterwards on these matters. What are these typewritten documents that you have now produced? A.—Somebody has been working on these, apparently leading up to this what you call Exhibit 8.

Q.—Leading up to Exhibit 8? A.—Yes, apparently.

Q.—Don't get those exhibits mixed; this is Exhibit 8. A.—Oh, is it?

Q.—Leading up to Exhibit 74, you mean. (Holding up document for inspection.)

Mr. Maclean: Yes, that is what he means.

Witness: Yes.

The Chairman: What is the difference between 74 and 5?

Mr. Taylor: One is for timber structures and the other one is general; 74 is exclusively for timber structures, the same as there is another one for track-laying, and another one for roundhouses, etc. Let me get this clear now, Mr. Callaghan; these documents which we will now file will be Exhibit what?

The Secretary: 82.

Mr. Taylor: Well, I will segregate them. The first typewritten document now produced—

The Chairman: Are you going to file them all?

Mr. Taylor: Just the ones that I am describing. The first typewritten document now produced, filed as Exhibit 82, is headed "Specifications for timber structures, general."

Mr. Maclean: You are putting those in as one exhibit?

Mr. Taylor: No, I don't think so.

Mr. Maclean: That is what I understood; I think you had better, or you will get so many exhibits.

Mr. Taylor: Apparently it is a duplicate—apparently four copies of them here; and at the end it is marked "P.G.E.R., specifications for timber structures, generally," all in typewriting. At the end, "Vancouver, September 25th, 1913; revised, December 1st, 1913."

Mr. Maclean: September 25th, did you say?

Mr. Taylor: Yes, 1913; revised December 1st, 1913. This apparently corresponds with Exhibit 74 that Mr. Callaghan says never was used in this work. Exhibit 74, gentlemen of the Committee, you will recollect, is the one that says, paragraph 5, that the prices shall include teaming; and paragraph 6, that they only pay for the quantities in the work, and not for excess quantities, such as that 503,000, that we discussed the other day.

The Chairman: How do they differ, Mr. Taylor, just offhand, from that special clause in the general specifications?

Mr. Taylor: From the timber structure clause; they differ entirely; that is the best way of answering that. The general specifications, Exhibits 4 and 5, paragraphs 74 to 80, do not touch the special features dealt with in the special specifications, Exhibit 74, and Exhibit 8 for timber structures, don't touch, or barely touch, is a better way of putting it.

The Chairman: Do they contradict?

Mr. Taylor: One is supposed to be supplementary of the other. That is, Exhibit 8 and Exhibit 74 are supposed to be supplementary of Exhibits 4 and 5. It is just prepared, I assume, Mr. Callaghan, like the plans for a house; afterwards you give details of the different parts of the house; that is about the size of it, isn't it? A.—No; there are things there that have no reference to the work of the Company.

Q.—Well, let it go at that. This document you are now producing is 82, and is in four parts, and without saying I am absolutely correct, it looks as though Exhibit 74, which you say was not used on the work—it looks as though Exhibit 74 is a copy of Exhibit 82, a printed copy, or largely so, at least judging from a cursory examination.

The Chairman: 82 is four copies.

Mr. Taylor: Yes. You have attached a memo. to Exhibit 82, Mr. Callaghan, "Timber structures, being printed," which would account for 74. Now, the other document you have produced is also in different type, a different colour.

Mr. Maclean: What do you mean, the other document?

Mr. Taylor: That is now produced.

Mr. Maclean: This is another one, 83.

The Chairman: Before you leave this, ask him whose writing is this?

Mr. Taylor: Whose handwriting is it on the slip which is attached to Exhibit 82? A.—I have seen it, but I do not recognize just whose it is.

Mr. Maclean: It is not yours? A.—It is not mine.

Mr. Taylor: You also produce a document which we will mark Exhibit 83, headed "P.G.E.R., specification for timber structures"; and from a general cursory observation, I would say it is practically the same as 82. It is printed at the end the same as 82; thus, "September 25th, 1913; revised, December 1st, 1913"; so we will file that.

(Exhibit 83.)

(Produced to Mr. Maclean.)

Mr. Maclean: Before we pass that, attached—

Mr. Taylor: Yes, let me see that; attached to that is a slip, rules, conforming with timber structures. Will you say when it comes by you, Mr. Callaghan, in whose handwriting that is in? A.—When I looked at it, I don't know; I don't know whose handwriting that is; I have looked at that.

Q.—You don't know whose handwriting it is? A.—No, I don't know.

Mr. Maclean: It is not in your handwriting? A.—No.

Mr. Taylor: Well, you would say, from looking at Exhibits 74 and 83, that they are documents that had been in your office for a considerable length of time? A.—Yes.

Q.—A very considerable length of time? A.—Yes.

Q.—Apparently, from the dates, they were? A.—Yes, apparently been lying in the bottom drawer for some time. I don't know how long.

Q.—How do you account for Exhibit 74 being practically a copy of those documents? A.—I account for it—

Q.—Printed? A.— —by the chief draughtsman being at work on it, having brought it out.

Q.—I draw your attention, and I will ask your especial attention to the subject, to Exhibit 74, paragraphs 1 to 12, and Exhibit 8 starts with paragraph 13; you say it is the timber, the

true timber structure specification? A.—Exhibit 8 is the first specification that was got out to buy truss-rods for this Howe-truss business.

Q.—We have had all that before; just wait till I am through with my question. You produced Exhibit 8 as the true timber specifications? A.—That is the only specification. There are no specifications other than the general specifications, excepting for the metal parts, which are not included in the general specifications.

Q.—We have had that before; I will begin the question again; you produced the specifications, or Exhibit 8, as the specification of timber structures?

Mr. Maclean: Wait a moment; it is a matter of fairness to the witness—

Witness: Just for the metal parts.

Mr. Maclean: Let the witness look at it; it was produced by Mr. Tate. He didn't produce it. (The witness.)

The Chairman: Is there any point in that, Mr. Maclean, if there is—

Mr. Maclean: The only point is this; I have no desire now to do anything but to give the witness a fair show. This document which my learned friend has there now was produced by Mr. Tate, and it is headed timber specifications, and he thought it was the timber specifications, he didn't read it; but when you look at it, it is not a timber specification apparently, because it applies with regard to metal-work. It is a specification with regard to metal-work. The heading is wrong; that is all there is about it. Now, he wants him (Mr. Callaghan) to say, without letting Mr. Callaghan look at that document—he wants him to say that he produced it.

Mr. Taylor: That document with regard to which my learned friend speaks is a timber specification.

The Chairman: I don't understand it that way, and I have been sitting here two days, listening to it. (Referring to Mr. Maclean's remark.)

Mr. Maclean: Well, there it is.

Mr. Taylor: My learned friend may be mistaken, and I regard his interruption as such; what I have stated to this witness this morning, that it was produced by Mr. Tate, handed to him by Mr. Callaghan, and Mr. Callaghan made a remark, as the transcript will show; and it shows that at the time he had produced it, that he (Callaghan) had written at the bottom, "John Callaghan, 1913," a few days before he produced it. It was produced by Mr. Callaghan, therefore, from his possession, and in his testimony this morning he has referred to it. Exhibit 8, together with the general clauses in Exhibits 4 and 5, and the one letter which you have just drawn attention to, Exhibit 81, constitutes the whole timber specifications.

Mr. Maclean: Yes.

Mr. Taylor: Very well; don't let us have any interruptions, please.

Q.—You have produced Exhibit No. 8 in the way I have just described in my explanation; now, let it go at that. It begins with paragraph 13, that feature that I commented upon at the last session. I noticed that Exhibit 74, which you say does not apply, the part that is the same as Exhibit 8 begins with 13, is the same paragraph 13 in Exhibit 74; how do you account for that? A.—I account for that by the man who handled it starting in there; that is the only way I can account for it. As I say, though, I didn't have that prepared in order—never considered the matter; it is obvious what it is.

Q.—You told me that there are no other letters or memos. or anything; I desire to give you every opportunity, and I want you now to produce something, which will be an eye-opener to you; produce me the letter about March 20th, 1913, which you wrote to Mr. P. Welch respecting timber structures.

Witness (to person in the room): Will you get that letter?

Mr. Taylor: Whilst you are after it, better give me one also of June 8th, 1914; I want you to remember what you have already said, that there are no other letters, memos., or specifications; when you produce those two letters, we will see. June 8th, 1914; March 20th, 1913. A.—1914.

Q.—To facilitate the finding of those letters, there is a young man here whom I intend to call as a witness, who can go to wherever they are, and point out the file; that is, Mr. Anderson. (Not Secretary Anderson.)

(Documents produced to witness.)

A.—That is a sort of revelation to me, if I sent that letter out.

Q.—Let me see the letter, please; I would like to see at what date it is? A.—It is dated 20th March, 1913.

Q.—All we know is that—

Witness: March 20th, 1913.

Mr. Maclean: What is the date of the letter of which that is a copy?

Mr. Taylor: I would like to have this taken down on the notes: "Mr. P. Welch, Contractor, City. DEAR SIR,—Referring to our specifications for timber structures, the attached, referring to Howe trusses, is to cancel section 75 on the printed forms; and this typewritten specification is to take the place of the section so cancelled, and should be pasted in the forms that are used in letting contracts as to the supply of timber and the erection of Howe-truss bridges." Attached thereto, dated March 4th, 1913; read Howe-truss bridges specifications. Timber in the—

Mr. Maclean: Wait a moment; is that another exhibit you are putting in, 85?

Mr. Taylor: It is attached to 84.

Mr. Maclean: That is part of 84, is it?

Mr. Taylor: It is part of 84, yes.

Mr. Maclean: Howe-truss specifications.

Mr. Taylor: 75, is it? It is headed "Howe trusses. Section 75, marginal note, quality. Timber, in addition to the requirements already stated, shall be of the best description, free from all sap, knots, etc., with mature drying-out; timber in the remaining balance of the structure shall be of a similar quality, with only such small, sound, live knots as will not in the opinion of the engineer affect their usefulness.

"Section 75A, kind of timber. The kind of timber to be used shall be as specified under the Government subsidy Act, if the contractor is supplying the same, otherwise it shall be first-class white oak, white pine, or red or Norway pine, Georgia, yellow pine, B.C. Douglas fir, or such kinds of wood as stated on each drawing as authorized by the engineer in writing.

"Section 75B. Other trusses and spans. All truss-spans, other than the Howe truss, shall be similar in material and workmanship to the latter.

"Section 75C (which is the important section). False-work. It must be understood that the contractor's schedule of rates for Howe-truss bridges include cost of providing and removing such false-work as the engineer deems necessary in the erection of similar spans requiring false-work. Vancouver, March 4th, 1913, Chief Engineer."

Mr. Taylor: I would call upon Mr. P. Welch to produce original of that letter, and the original of those attached specifications.

Mr. Davis: They are being looked up.

Mr. Taylor: You remember saying this morning that there was nothing else in existence?

Mr. Maclean: Let me see those letters, Mr. Taylor.

Mr. Taylor: Now, I file some other letters regarding timber structures produced now by Mr. Callaghan, at least, from his files.

The Secretary: Exhibit 84.

Mr. Maclean: No. 85; 84 is just what went in.

The Secretary: I have not marked it yet.

Mr. Maclean: You want 84 marked; that is it.

Mr. Taylor: 84, in two parts. The following letters were also received: December 27th, 1912, Exhibit 85, Chief Engineer to P. Welch. "I enclose herewith copies of my specifications for screw-bolts, drift-bolts, and keys for building trestle bridges." Exhibit 86, August 4th, 1913, Chief Engineer to P. Welch. "Herewith I send you in triplicate blue-print plans of Howe-truss 100-foot span for crossing Swift Creek Station," and so on. "Plans for this bridge are Nos. 106, 111, and 138. 138 is supplementary to plans; 106, the change of timber and material is owing to branch being 6° curve is shown on the face of plan 138, etc. Material for these two spans should be secured at an early date, as Mr. Welch proposes to haul the material required on crossing, on 14 wagon, so that there will be no delay in track-laying. The men required at Cheakamus will require to be put in some time this winter, at least, before high water comes next spring. Two copies of specifications of timber structures are included herewith."

Q.—I will ask to be produced the two copies of timber structures specifications, or one of them, referred to in the letter of August 4th, 1913, Exhibit 86, produced by P. Welch. September 25th, 1913, Exhibit 87.

Mr. Maclean: Well, wait a moment; what is your Exhibit 85?

Mr. Taylor: December 27th, 1912. Chief Engineer to P. Welch. Exhibit 85. I read it. Exhibit 86, August 4th, 1913. Chief Engineer to P. Welch.

Mr. Maclean: Yes.

Mr. Taylor: September 25th, 1913.

Mr. Maclean: This is 87 now, is it?

Mr. Taylor: Exhibit 87, September 25th, 1913. Yes. Chief Engineer to P. Welch. "Referring to the attached letter from Hunt & Company, Limited, I beg to advise you of test of rods"; then he gives the tests; shipment of paint, he gives that; amendments of specifications referred to a change in the rods; and attached two copies of that specification. Now, it so happens that that copy, which is attached, is practically a duplicate of your Exhibit 8 that you say is the timber specification, subject to what I have said before; but it has that addition at the top of the page. It says, sheet 2, and it includes paragraph 12. Apparently it is taken out of a specification that had sheet 1 to it, with the other paragraph that we are contending for in Exhibit 7, before. There is paragraph 12. Corresponding with 74, and it is marked sheet 2 at the top, the same typewriting, and it is the specification sent to the ironmen on the bridge structures.

Mr. Maclean: Which is referred to; that is the same as in Exhibit 8?

Mr. Taylor: Practically. I should say it is the same as Exhibit 8, so far as a cursory examination will show, except that it has paragraph 12 of Exhibit 74 at the top of the page, and it shows that it was taken out for the purpose of these ironmen, but the regular specifications we say should be here, and would show that their specifications, Exhibit 74, are the real specifications, contrary to Mr. Callaghan's contention; and there is the letter showing it. Now, that is Exhibit 87, which was produced by Mr. Callaghan this morning. Attached also to Exhibit 87, as 87A—that is the first one; as 87B—there is another; I would like you to say in whose handwriting it is. Exhibit 87; now, in whose handwriting is that? A.—I don't know; it is not mine.

Q.—Now, don't you know whose handwriting it is? A.—No, it is not mine; I don't know whose it is.

Mr. Maclean: This looks like the signature of O'Ray. (Referring to writing afterwards shown to be Chief Eng.)

Witness: A lot of people were working on the staff there—I don't know.

Mr. Taylor: Let me see that, please; this is 87B, it appears to be. It is directed to P. Welch, and it has Chief Engineer at the bottom.

Mr. Maclean: What are you referring to now—Chief Eng.?

Mr. Taylor: Yes; and it seems to be a draft of the letter, Exhibit 87; the letter of September 25th, 1913, a draft of that letter.

Mr. Maclean: You say it has the signature of the Chief Eng. at the bottom; is that what you say?

Mr. Taylor: No; just the words "Chief Eng."

Q.—The letter, as I pointed out before, says this: "Two copies of sheet draft specifications corrected as per above, forwarded you herewith." The next that Mr. Callaghan produces is 88, December 2nd, 1913; apparently a letter by himself to Mr. P. Welch.

Mr. Maclean: Where is "Chief Engineer"?

Mr. Taylor: (Indicating.) Mr. Callaghan, Chief Engineer, to P. Welch, Contractor, December 2nd, 1913, Exhibit 88. "I herewith hand you sheet No. 2 of our specifications for timber structures revised, as to clause No. 14, which now reads as follows: 'Specifications, specimens three-quarters inch end thickness and less should bend cold on themselves, etc.'" Now, that letter, December 2nd, 1913, seems to correspond with the revision of the timber structures, Exhibit 74, which is printed on the bottom, revised December 1st, 1913, Exhibit 88. December 2nd, 1913, Exhibit 89, Chief Eng. to C. R. Crysdale, Assistant Engineer, Cheakamus. Mr. H. M. Meriman, Divisional Engineer, Lillooet. "Will you please substitute the enclosed for sheet No. 2 of the specifications you have for timber structures." This letter is apparently dictated by "H."; those other letters that I have filed are dictated by yourself, "J. C.," Exhibit 89. Mr. Crysdale's original letter, acknowledging receipt of that last letter of 11th December, 1913, which will be Exhibit 90, directed to John Callaghan, Esq., Chief Eng., Vancouver. "DEAR SIR,—Your circular received, attached thereto specifications of the timber structures; please forward balance specifications, as I have not received these as yet." That is Exhibit 90. I will just ask you, Mr.

Callaghan, if that is not Mr. Crysdale's original signature? A.—Yes, that is Mr. Crysdale's signature.

Q.—There is another letter, the same letter as Exhibit 89; probably it is not the same—well, I had better read it. Exhibit 91. Chief Eng. to Crysdale & Kopp, January 7th, 1914; these gentlemen being assistant engineers and divisional engineers. "DEAR SIR.—I enclose herewith for your information a copy of a specification for timber structures, revised to December 1st, 1913." There is the identical exhibit, 74; what do you say about that? A.—I didn't—I never intended those specifications to apply to P. Welch's contract.

Q.—How do you mean that, Mr. Callaghan; do you mean it now? A.—Certainly.

Q.—If you have made a mistake, say so; that is the better way with a thing like this. A.—No; the fact of the matter is, I never did consider them; the boys got those specifications up, and had them printed; but I think it is quite plain, on the face of it, that they could not have had anything to do with Welch's contract.

Q.—We have your letters, signed by yourself? A.—Beg pardon?

(Question repeated.) A.—These letters very often are dictated by somebody else, and don't come before me, except to be signed, as far as I am concerned, never considered that in any way changed in connection with the timber specifications shown in the general specifications, only that we had to provide for the metal parts of the metal truss bridges.

Q.—The bite of this thing is this: There is a tremendous amount of money— A.—We never practised—that thing was never practised; it must be quite apparent from the very start in those letters, the thing was never practised—

Q.—I will come to that, Mr. Callaghan. A.— —not in my office.

Q.—I will come to the office. A.—Never practised.

Q.—How do you account for all these letters going to these divisional engineers and assistant engineers with this very specification if it was not in existence, in face of these letters? A.—Never in existence by any understanding of mine, that part; the things that were in that timber specification.

Q.—The bite of the thing is this, you understand, as to false-work, paying for false-work, as you have told me on the last session, at \$45; and I will show, I think, that this amount, \$45, is just the same price as though it was for the completed structure over which the train runs; and then you allowed for the full completed structure as well, for each and every bridge, which Exhibit 74 makes unlawful. That is one of the important features. Then the next thing is the paying for more lumber than went into the bridges; that is the 503,000 that we discussed at the last session, or, as you say, 433,000? A.—I wrote Mr. Crysdale also that I had no such thing in mind.

Q.—We are discussing one thing at a time; what about this Exhibit 74; there is the letter of January 7th, referring to these same specifications, sent by your office to these engineers in the field to guide them? A.—As I say, there was a lot of stuff went in and out of the office in that way, by the clerks, that was unauthorized.

Q.—Some of these letters are dictated by yourself apparently; who was "H."? A.—"H." would be Howitson.

Q.—He is in the room here? A.—Yes. That specification, as far as I am concerned, it never had any application.

Q.—Some of these letters were dictated by you? A.—The metal parts is what I had in mind; or for beyond what was in the general specifications; and, in fact, there is a lot of stuff written up.

Q.—Who was "S." in your office. A.—Stewart.

Q.—You have referred to him before? A.—Yes.

Q.—The next letter evidently is produced by you; March 13th, 1914. Chief Engineer, A. M. Crysdale. "I herewith hand you copy of rules"—by the way, I will read that again—Care of J. Hanbury and Company, 4th Avenue and Granville Street, Vancouver. "I herewith hand you copy of rules to be followed in conforming with specifications for timber structures." Would you mind producing those rules, please? A.—What is the date of that?

Q.—March 13th, 1914. The same to P. Welch, March 13th, 1914; what is that last exhibit? The Secretary: 92.

Mr. Taylor: This will be 93. March 13th, 1914, Chief Eng. to P. Welch. "I herewith enclose three copies of rules to be followed in conforming with specifications for timber struc-

tures." I would ask Mr. P. Welch to produce those rules. Rules to be followed, in conforming with specifications for timber structures. Then, you think that letter is an accident also? A.—No; I know that we had trouble getting timber of the quality that we required, and, in fact, Hanbury appealed to Colonel Stewart—General Stewart—and said we were too strict. He went out to look after it, and he finally made some rules, I think, to give the inspectors some little leeway.

Q.—So that those two letters dictated— A.—I know there were rules given, as far as the inspector was concerned, to get timber; Hanbury claimed that the timber didn't grow that we were asking for.

Q.—So that those two letters dictated by "S.," meaning Stewart, in the office, were accidents? A.—I know there was some discussion about the quality of the timber that there was being got at Hanbury's mill; I know there was something about that.

Q.—I would like to have the letter of June 8th, 1914.

Mr. Davis: I may say that we have that letter, but the enclosures are not with it; and they are communicating with the office at Vancouver about it.

Mr. Taylor: Can I see the letter? You probably have it in your copy-book; June 8th, 1914, Mr. Callaghan. A.—Yes, I have it here.

Q.—Would you mind letting me have it, and I will read it. (Copy letter-book was referred to.) This is a letter from your book—you have read this letter in your letter-book; you say; this is the letter which I am going to file as No. 94; do you say that this letter is an accident also? A.—I say that these specifications that it refers to are an accident.

Q.—An accident, very well. A.—These specifications were never made for any use in connection with the contract.

Q.—Chief Eng. to P. Welch, Exhibit 94, June 8th, 1914.

Mr. Davis: They tell me that those specifications would be sent out likely all over the line.

Mr. Taylor: I would like to ask, Mr. Chairman, that a further search be made; we would like to have a copy of them. It is an important letter, of June 8th, John Callaghan, Chief Eng., to Mr. P. Welch. Written on P.G.E. letter-heading; John Callaghan, Chief Eng., June 8th, 1914, to Mr. P. Welch, Contractor, Vancouver, B.C. "DEAR SIR,—I send you herewith twelve copies of our specifications for timber structures, revised December 1st, 1913. These will supersede all specifications for timber structures previously sent you. Please return any copies of the latter which you may hold.—Yours truly, JOHN CALLAGHAN, Chief Eng."

Q.—Now, Mr. Callaghan, you will admit with me—what exhibit is that—that is 94—you will admit with me that the specifications of which you sent twelve copies is identically the same as Exhibit 74? A.—It is likely, of course. As I say, those specifications were never considered; this thing was printed without any consideration of the effect it would have on P. Welch's contract. Why, there is actually a clause in there stating that he was to do the teaming free, and lots of this stuff is teamed 100 miles, more than 100 miles; so it must be quite evident that that would not be done.

Q.—I am referring to these letters. A.—I know; this thing was printed—and there are certain rules, of use to a man looking after the contract, but not to apply it to P. Welch's contract; he could not haul his stuff 100 miles, 125 miles; the thing was entirely premature and should not have been printed.

Mr. Hanes: Do you mean to say that all the timber was hauled 125 miles? A.—Not exactly.

Q.—I am speaking of the stuff that was used in connection with the timber structures; you hauled it—

Mr. Taylor: That is a matter that can be looked into. Will you say that any of it was hauled 100 miles? A.—Of course, this was sent out by the office—

Q.—This being Exhibit 94; it is sent out by your office, that is the letter in the letter-press book which you have produced. It is much the same as what were sent out in the other forms, referring to the specifications, which are the same as Exhibit 74; but still you say that Exhibit 74 was not binding? A.—No, sir.

Q.—Now the effect of this is, that you, contrary to Exhibit 74, I say—contrary to Exhibit 74, if binding, I say—contrary to the writing in Exhibit 74, the printing in 74, you paid Mr. Welch for 403,000 feet according to you, and 503,000 feet according to that slip that was filed at the last session, for timber more than went into the bridges; you paid Culliton for the timber only that went into the bridges? A.—That was not my custom; we paid Culliton for the

labour that he supplied putting that timber actually into the structure, and the other amount would cover the timber, as I understand, that he (Welch) had purchased, and supplied this bridge; if there is any more they put in, that was not according to my undertaking; that is my understanding, and I never asked anybody to put in—

Mr. Taylor: Getting at that feature, Mr. Callaghan, will you produce now Exhibit 94 for me to look at? (Document produced.) A.—That is not my signature.

Q.—It is signed "John Callaghan." Who wrote it for you? A. That is Howitson.

Mr. Maclean: And that applies, I suppose, to other letters, he signed his name.

Witness: There were some things in the specifications only useful for the purposes of purchasing timber, getting it, and they were never applied to the contract.

Mr. Taylor: I would like to give you every opportunity, but I want you to answer, as far as possible, my questions first, and then give any explanation afterwards. In dealing with that 503,000 or 433,000 that you paid Welch in excess of the amount, you paid the amount of the labour upon to Culliton for putting the timber into the structures, the bridge structures; in dealing with that amount as at \$45 a thousand, the fact is, is it not, that most of that should be dealt with at \$55 and \$60 a thousand? A.—I think so, yes. I think the percentage ran high in connection with the dressed lumber, the timber sized on four sides.

Q.—So that we can get it clearer; the stringers were \$50 a thousand; that is right, isn't it? A.—Yes.

Q.—And the Howe trusses were \$60 a thousand? A.—Yes.

Q.—And the ordinary timber in the bridge was \$45 a thousand. A.—Yes.

Q.—Such as ties, etc.

The Chairman: Do you mean now the price allowed, or the price of the contract?

Mr. Taylor: That is the price of the contract. Stringers, framed trestles, except stringers, \$45 a thousand; Howe trusses, \$60 a thousand; and there was a high percentage of Howe trusses in these stringers, so that in paying Welch for the 433,000 in addition to the amount included in Culliton's, Culliton was only paying so much a thousand for putting the timber in the bridge; it was necessary to find out how many million feet he was putting in the bridges, and he was allowed for 15,000,000-odd. Mr. Callaghan says that Welch was allowed for 403,000 feet in addition; but the memo. that I have filed shows 503,000 in addition; in allowing that to Welch, you were allowing him not for what he paid for the timber at the sawmill that was wasted, plus the freight, getting it at the site of the bridge, but you allowed him at \$60, as though it had been built into the bridge, didn't you? A.—Certainly.

Q.—How do you explain that? A.—That is what anybody would allow.

Q.—If certain timber was wasted, you allowed both for the waste on the timber at the mill and the haulage, and you also allowed him as if it had been built into the bridge, even though you were not following Exhibit 74? A.—For the timber that goes into the bridge.

Q.—But surely, following Exhibit 74, if you allowed Welch in Vancouver the mill price, and the hauling of the extra timber that was wasted, on what principle of honesty or justice do you allow him \$60 a thousand, being the price at which it is valued, when built into the bridge as a completed structure? A.—That is the practice in estimating the timber in bridges.

Q.—Oh, you say it is the practice? A.—Yes, I do.

The Chairman: If that went to the bridge, there would be deducted how much; how much did you allow for hauling?

Mr. Taylor: So much a thousand for putting it in.

The Chairman: It went into the bridge, and I understand the amount would be deducted from it, so much a thousand, wouldn't it? For instance, take 1,000 feet that went into the bridge. A.—Yes.

Q.—And P. Welch got \$50 for it? A.—Yes.

Q.—That went into the bridge? A.—Yes.

Q.—And you deducted Culliton's amount from it? A.—Yes.

Q.—If it didn't get into the bridge, you deducted nothing? A.—Yes.

Q.—So that he got double as much, or three times as much, for what didn't go into the bridge as what went into the bridge.

Mr. Taylor: Do you justify that, or do you come forward now and say that it was a mistake? A.—It is not a mistake.

Q.—And that it should not be done? A.—I gave my consent to have it done that way.

Q.—Upon what principle of honesty or justice did you do it that way? A.—Because that is the practice to do it that way.

Q.—And instead of the amount of \$19,000 that we figured it at the other day for this excess, if you paid \$60 and \$55 it would amount to very much more than \$19,000 which you gave Mr. P. Welch for timber that didn't go into the bridges? A.—I did not know what it would amount to until Crysdale undertook to give Culliton Bros. what actually went into the structure, and P. Welch what he had bought.

Mr. Hanes: What was that? A.—I told him he might estimate what Welch had to purchase to build the bridge; I believe it is fair to estimate that way.

Mr. Taylor: If you had followed the provisions of Exhibit 74, the printed specifications revised to December 1st, 1913, for bridge structures, you could not have allowed Mr. P. Welch anything for timber that never went into bridges, could you? A.—Yes, I could.

Q.—Well, we will see. A.—That don't mean——

Q.—Paragraph 6 of Exhibit 74, printed specifications for timber structures, revised 1st December, 1913: "Quantities to be paid for shall in all cases be the quantities of material left in the work; and if the total finished weight of each of the various classifications of iron built on the Company's plans exceeds the calculated weight based on the dimensions shown on the plan, and bills of material, not more than 2 per cent. above the said calculated weight shall be paid for"; most of it refers to iron. The first two lines refer to timber: "The quantities paid for shall in all cases be the quantities of material left by the contractor in the work." If you had been bound by it—you say you were not—if you had been bound by paragraph 6 of Exhibit 74, you would not have paid P. Welch for this extra timber? A.—The material in the structure means what must be purchased to complete the structure; that is the material in the structure.

Mr. Maclean: He explained that thoroughly the other day; that if there was left over timber in such quantities or such amount that might properly be used in some other way, that he did not pay Welch.

Mr. Taylor: He would pay also for the timber not used, at the prices that would have to be paid for it, as pointed out by the Chairman, for timber in the structure—namely, \$60 a thousand. A.—No. There is no difference made in the price in the estimate of the bridge after it is built; it is the quantity, according to what the man has, purchased to complete the structure.

Q.—So that I understand you, you have made no mistake in the answers that you have given, according to you or you are standing by everything that you have said in face of the specification, Exhibit 74; is that so? A.—I stand by that, that those specifications were printed without any consideration as to what effect it had, never submitted to me for consideration at all; the thing was printed, and it was in existence in a printed form, before I knew. I didn't want to go to the expense of having it reprinted.

Q.—Mr. Callaghan—— A.—No intention for printing those specifications; and in some of those clauses that are there, they take away from the contract price that P. Welch had.

Q.—Mr. Callaghan, it would be necessary for your field engineers, and divisional engineers, and resident engineers, to have the timber specifications, wouldn't it; just answer that please—would it? A.—No; they had them in the general specifications.

Q.—That is, sections 74 to 80? A.—Yes.

Q.—Exhibits 4 and 5? A.—Yes.

Q.—Outside of that, they speak for themselves, you see. They are very meagre, and the Committee can form their own opinion on them. But I ask you, in face of Exhibits 4 and 5, section 74, would it be necessary for your divisional engineers and resident engineers to have timber specifications? A.—Not beyond what is in the general specifications.

Q.—You mean that; there is not a thing in there about the timber, about how it is to be paid for and measured? A.—That is all they would have if they were working on the C.P.R. during 1905 to 1909; that is all. I worked there for years myself, and that is all I had. That is all you would have, if you worked there.

Witness: I say that these specifications for the timber structure as shown in our specifications—that is all that any engineer gets on the C.P.R. to build the timber structures that were being built there every day and every year, amounting to millions of dollars' worth of work.

Mr. Taylor: Do you mean to say that the C.P.R. has not got standard specifications—standard timber structure specifications? A.—They did not have any more than that when I was with them, 1905 to 1909, Western lines; they are all the Construction department used.

Q.—Will you pledge your oath to that? A.—They did not have any more when I was employed there between 1905 and 1909, but I don't know what they have to-day; I could not say.

Q.—You say that the C.P.R. have not got standard bridge specifications—standard timber bridge specifications? A.—I say, not for timber bridges to my knowledge; and as far as any drawings I had there, that is the only specification that was ever used—just what is in our general specifications. I don't know what else the C.P.R. had.

Q.—I ask you, have the C.P.R. any standard timber bridge and trestle specifications? A.—I say I don't know; but I say they were never put in use when I was there.

Q.—What years were those? A.—From the year 1905 until 1909, inclusive.

Q.—Will you say that they did not have standard timber and trestle specifications for the years 1905 to 1909; will you say that? A.—I will say all that I have ever seen was what is printed here.

Q.—I am asking you, will you say that they did not have those specifications for the doing of their work, in connection with trestles and bridges, from 1905 to 1909, during the dates you have given? A.—There was nothing else used under my jurisdiction, and I had charge of all the Western construction—all the construction on the Western lines west of Winnipeg; and we were spending millions of dollars every year.

Mr. Maclean: Just before you leave this, would you have any power, in your office, to change the price that P. Welch was entitled to under his contract? A.—No, certainly not. I would have no authority to do that.

Mr. Taylor: Another thing I want to deal with now is in connection with the false-work. According to Exhibit 4, you could not put in false-work. You could not pay for false-work. We have a letter which is filed, which states that that false-work shall not be paid for—that is, from your office. That letter is said to be a mistake, but I want this information from you: Isn't it a fact that you paid P. Welch for false-work used over two and three times, and paid for it two and three times in respect of different bridges? A.—Not to my knowledge we didn't. That would be wrong if any one did that; and I certainly never authorized anything like that, and I never had any information that such a thing was done. If anybody did that it was against my wishes.

Q.—Then, I understand this—let me put that matter to you clearly. I want to have a definite understanding on this point. I suggested to you the other day, if you had followed Exhibit 74 (which I now suggest to you were the specifications) you could not pay for false-work at all; and you admitted that. That was in the last session. Now, going beyond that, I say, assuming that you violated Exhibit 74, which you say was not binding on you—if it were binding on you, and assuming you violated it and paid for false-work at all, isn't it a fact that you paid for the timber that went into the false-work at a price at which the completed structure was to be paid for—namely, \$50 and \$60 a thousand—and you paid for the same false-work timber as high as two and three times? A.—Not as far as my knowledge is concerned. There would not be any paid for at \$60, and as far as I know there was no false-work paid for the second time.

Q.—As far as you know? A.—Yes. I could not know everything about what was the practice. There was no question but that would be wrong, of course, and should not be done.

Q.—And you still contend this morning, after having had time to consider it from last session, that it is right to pay for false-work at all? A.—Yes, I certainly do.

Q.—And you still contend it is right to pay for it at \$60, \$50, and \$45 a thousand just as if it were for the completed structure? A.—It is right to pay for it at the rate of trestle timber.

Q.—Yes, at those prices, \$50 and \$45 a thousand. A.—Yes.

Q.—Just the same as for the completed structure? A.—Yes.

Q.—And you don't dispute this morning, any more than you did on Friday, that false-work could not be paid for at all if you had followed Exhibit 74 of the revised statutes before referred to? A.—No, certainly not.

The Chairman: I want to break in. Is it convenient for me to do so just now?

Mr. Taylor: Yes.

The Chairman: Where this timber that did not go into the bridge was paid for at these rates, what check had the Government on that? A.—They had no check on it only from the information that they would get from my office.

Q.—I mean to say, when these certificates would come in, the progress estimates and certificates, and be certified to by the Government, and the trust funds were taken out and applied, what practice did the Government exercise in checking them up, or didn't they exercise any? A.—I really don't know.

Q.—Did they simply take your word for it? A.—I think that they took my word for it; but I think that they would check it, as far as I know, with the items there.

Mr. Taylor: And you knew that the Government were depending on your word when they were paying out these huge sums of money on these estimates? A.—Certainly.

Q.—And you knew the responsibility on you was to give them the full information? A.—Yes.

Q.—And to make the strictest and most honest inspection? A.—Yes, certainly.

Mr. Hanes: Now, Mr. Chairman, I wish to say to the other members of the Committee that, taking into consideration the evidence which we had on Friday, and the evidence which we have had this morning regarding these specifications, that I think it is only right that the Committee should consider the class of evidence given Friday and the facts as the letters show this morning, because dealing with the other questions which we have to deal with which refer to specifications, we may find—or, at least, there may be a doubt as to whether we are getting the correct answers or not, unless each statement is gone into as this has been gone into this morning most carefully. I am speaking now of the difference in the evidence as between Friday morning and Monday morning.

Mr. Taylor: That is, you want the fullest investigation of each and every point in the checking-up of the papers?

Mr. Hanes: Not that exactly; but I was saying this merely to point out to the Committee that the veracity of this evidence is in question, because the class of evidence that we received on Friday morning and the class of evidence we have received this morning is entirely different; and if the Committee had let it go in as given on Friday it would not have been corrected, so I state that the Committee should question the veracity of any evidence given.

Mr. Taylor: But there is one other point on this timber question that I want to check him up upon. What is the meaning of "merchantable" lengths in the timber business, as known to you as a railway-man? A.—Commercial lengths.

Q.—Commercial lengths or merchantable lengths? A.—Even lengths.

Q.—Even lengths. What is the allowance for commercial or merchantable lengths up to 20 feet? A.—I don't pretend to know what they are up to that. But my knowledge of the thing is that Crysedale was to investigate what was necessary for P. Welch to buy to build that structure, and I gave him permission to pay for whatever he had to buy.

Q.—Let me see those letters, please, beginning from Exhibit 79. Let me see the letters just filed, beginning with Exhibit 79, or somewhere about there. Now, Mr. Callaghan, let us understand each other, and meet the issue, so that it won't take too long to work it out. Will you define what you understand to be commercial or merchantable lengths? You gave me the name commercial. A.—I understood that they were multiples of two.

Q.—Up to what length? A.—Moberly, the purchasing agent, on inquiry by me the other day, told me anything beyond 18 feet; but that is even news to me. They could get them in odd lengths up to 18 feet.

Q.—I don't know what somebody else told you the other day. A.—I really did not know anything about it till then.

Q.—I want to know what you knew in 1912, 1913, 1914, 1915, or 1916 about this matter? A.—In 1912 my understanding was that it was necessary to buy this timber in multiples of two. That was my understanding—to allow it to be cut in multiples of two and to purchase it in that way.

Q.—Will you explain what was the manner of buying it in multiples of two? A.—That is even lengths, of course.

Q.—Buy it in even lengths. Now, supposing it was necessary for a contractor to use a 15-foot stick, in measuring that bridge up, how much timber would you allow for it? A.—I would not allow him anything more than what he had to purchase. That is all I ever consented

that any one should allow him—what it was necessary to purchase; and if he was allowed anything more it was not according to what I understood would be done.

Q.—What do you mean by allowing what was necessary to be purchased? Just explain it, please. You know what I am after. Explain it fully. A.—I expected that the engineer would look into the bills of the timber that was purchased, and if he did that he would allow for whatever had been paid for.

Q.—But you have no different rule—I will come back to this detail—did you have any different rule as to your measurements of timber in the structure as to observing the commercial rule or not observing it before the elections of 1916 and after that? A.—No, sir.

Q.—You had no different rule? A.—No, sir.

Mr. Hanes: Isn't it a fact that you are only paying for timber in place now? A.—I understand last summer that they paid even for less than the timber in place. I didn't know what they were going to do. They didn't do it on any instructions from me. The engineer—he said he had figured everything to the nearest inch and a half.

Mr. Taylor: Now, supposing that P. Welch required to use two sticks 15 inches each, you would calculate those sticks in the bridge at what length? A.—I would calculate them at whatever he had to purchase in order to supply them. That is what I would do if I was doing it myself.

Q.—When you had a contract at so much a thousand in a bridge, what did you have to do with P. Welch's purchase? Will you tell me that? A.—I would pay him for whatever it was necessary to purchase to complete that bridge.

Q.—Will you tell me what lengths you would pay for as to those two sticks? A.—I could not tell you until I had seen his bill.

Q.—And you could not measure up a bridge, with so much timber in it specified by the chief engineer, knowing the lengths and the size and everything, without going to P. Welch's purchase slips? A.—That is what I understood.

Q.—Now, as a matter of fact, you are the Pacific Great Eastern— A.—That is what I understood we were doing—allowing P. Welch for all the timber he had to purchase to complete the bridge.

Q.—Now, you are the Pacific Great Eastern, and you are building a certain trestle 1,000 feet long and 50 feet high, and there are so many trusses in it and there are so many ties, etc., divided into sections. You know the sizes of the timbers and their lengths, and everything is right there on the plan, and you have the details of that particular trestle-work. You can take off in a short time the quantities of timber in that trestle. Now, what had you to do with P. Welch's purchase of timber from Hanbury, or any one else? A.—Well, the matter was introduced to me in that way by Crysdale, and, as I say, I consented because I thought that would be all right to pay for whatever it was necessary for him to purchase.

Q.—Will you answer my question again? If there were two sticks of 15 feet each in a certain trestle, how much length of stick would you calculate in paying P. Welch for that particular trestle, for those two sticks? I suggest to you that you would allow him 32 feet instead of 30? A.—Yes.

Q.—Sixteen feet being the nearest to 15 feet, and the 2 feet difference; and you would calculate 16 feet length; and if it had been $14\frac{1}{2}$ feet you would have gone back to 14; but the lengths are usually 15 and 16, and so on. Now, isn't it a fact that P. Welch in buying those two sticks would buy a 30-foot stick and cut it in two? A.—Well, if he did that, Crysdale should not be allowed to allow him for that 16 feet—the two sticks at 16.

Q.—How would Crysdale know that, if he cut them in two? A.—Well, this was a matter that seemed quite fair to me, and he suggested it to me to be done in that way.

Q.—You are following me, surely? A.—And I wrote him to do it that way.

Q.—Now, 20 feet is a usual length, and 24 feet and 26 feet. If they want two 13-foot sticks, they buy 26 feet; and if they want two 12's, they buy 24, because it is easier handled? Up to a certain length it is easier handled in that way, but over that they don't; and then they cut it up, and if you were to allow him for two 16's, which were never purchased, it would make quite a difference when you consider the tremendous amount of timber that went into those bridges, amounting to 16,000,000 and over—it would make a very large item, wouldn't it? A.—Well, that was not my intention. The only thing was that he should be paid for what was purchased; that is all that I intended.

Q.—We are dealing with the facts now and not with your intention. A.—I did not make that estimate; but I was a consenting party that he might estimate in a way that he would pay P. Welch for all the timber he had to purchase.

Q.—Now, we will leave out the election question; but, as a matter of fact, from Clinton north you did not follow that system of paying, did you? A.—I did not have anything to do with it from Clinton north.

Q.—But I say from Clinton north you did not pay on the merchantable timber basis? A.—I don't know. There was another engineer on the Clinton north construction.

Q.—Will you answer my question? A.—No, they were not paid in that way.

Q.—But from Clinton to Squamish the timbers and structures were paid on the basis of the commercial plan? A.—Yes. All the work that Crysedale had charge of was.

Q.—Now, what was the reason that you made a difference? A.—I did not make a difference.

Q.—Isn't it a fact that the timber constructions north of Clinton were built after the election of 1916? A.—I don't know anything about that.

Q.—Well, isn't it a fact that they were built largely after the elections of 1916? A.—I think they were from Clinton north, but it is a matter of record. It was some time last spring.

Q.—I am asking you again, were they not built and measured; I will say paid for—measured and paid for after the elections of 1916?

Mr. Maclean: When were the elections? A.—14th September, 1916.

The Chairman: When was the system changed? A.—The system was changed when another engineer took charge of the work.

The Chairman: Was that after the election of 1916? A.—I don't know. It was in May or June, something like that, 1916.

Mr. Taylor: No, not when the engineer took charge of it. What I want to get at is when the engineer measured them for payment? A.—He measured them for payment as he went along with the summer's work.

Q.—From Clinton north, it was largely after September, 1916, wasn't it? A.—I don't think so.

Q.—Will you say he didn't? A.—He turned in an estimate every month. He is here. The fellow is around the building somewhere who did that.

Q.—What are his initials? A.—Drabble.

Q.—Grabble? A.—No; Drabble.

Q.—Is he here? A.—He is not in the room, I don't think, but he is in the building.

Mr. Drabble: I am here.

Witness: I did not give him any instructions as to how he should estimate the bill.

The Secretary: But all estimates were checked in your office, were they not, as chief engineer? A.—No, they would be checked; they would be copied there.

Mr. Taylor: You told us the other day all estimates were checked in your office, and it did not necessarily follow that the estimates given by the men in the field, or by the divisional engineer, were the estimates that P. Welch got; but it had all got to be gone over in your office, and it all actually was gone over in your office. Do you say that is not true? A.—I say the estimates were compiled from the notes that came in from the field.

Q.—You told us at the last session of this Committee that P. Welch got frequently less than what was given to the stationmen and the sub-contractor because they were checked up in your office? A.—Well, any changes of that kind would be done out in the field. I said there was one incident that I recollected in our office, in connection with some work north of Quesnel, that the classification was being reduced after the stationmen had finished their work.

Mr. Hanes: Now, will you say that there was no case where you did raise the classification—when we are on that point? I just want to have it from you. A.—What is that?

Q.—You mentioned the case where you had reduced the classification in the office. Now, I am asking you, do you say that you did not raise the classification in the office, or allow a classification to go through higher than what they should have allowed it to go through? A.—I don't think there was any that I know of. There was a classification raised and lowered at different times on the work by the engineers in the field, but I really have no recollection of any like that in the office that were raised or even lowered.

Q.—Well, I will ask you the question in another way. I would like to have you say whether to your knowledge P. Welch was paid for work done on a higher classification than the specifica-

tions called for? A.—It depends on their judgment altogether as to that. According to my judgment, I don't think so.

Q.—Well, I am asking you, do you know of your own knowledge whether P. Welch was paid for work on a higher classification than he should have been paid for under the specifications? A.—I know of some material that was put in under the wrong heading.

Q.—Well, leaving out material for work done like excavating, for instance. A.—Oh, well, considering the class of work, there is no doubt, as said at the very outset, that there was no railway ever built on a literal construction of the specifications.

Q.—Well, I don't mean to prolong an argument. I just want to ask you the same question again. You have said on one occasion you reduced the classification. Now, I ask you, of your own knowledge, was P. Welch paid for any work done on a higher classification than the specifications called for? A.—No, not to my knowledge; of course not.

Mr. Hall: Just before we pass on from the timber. A number of letters were sent out, as I remember, with printed specifications to different persons. In reply to that, did you have any objection raised by any of those persons? A.—I don't know of any. I don't know of any objections that were raised by anybody.

Q.—There are quite a number of letters beginning with Exhibit 84, and there are a number of letters following that. You remember all those letters that were put in? A.—Yes.

Q.—You had no objection from any person regarding them? A.—No, I had no objection from any one.

The Chairman: I want to go back again to this bridge-building material, Mr. Callaghan. Take this man Culliton, who was a sub-contractor under P. Welch, with regard to bridges? A.—Yes.

Q.—Would the Government have information showing the classification upon which he was paid and the amount which he was paid? A.—No. I would not have it—I don't think I have that information. I would not go on the estimate at all. That was just a matter for settlement between Culliton and P. Welch.

Mr. Taylor: If you look at Exhibits 1 to 41, you will see that the Government got no information for checking up.

The Chairman: I have got Exhibit 41 here. The Government engineer will have nothing to go upon except what was contained in those documents? A.—That is all.

Q.—And it was not the practice of the Government engineer, or any one in the Department, to go behind those documents? A.—No.

Q.—They simply took those and made no inquiries outside of them? A.—Yes.

Q.—And on the strength of these certificates, without any further inquiry, they paid over the money? A.—Yes.

Q.—And the Government engineer went on the road about three times a year? A.—Well, I counted up the different times I made a note of, and I noticed that there were something like nineteen or twenty times that I have a record of that he was on the work.

Q.—Over a period of four years? A.—Yes. But there might be a great many more times, because I would not make a note of it in his presence.

The Secretary: You would not call that an inspection? A.—Oh, he was over the road—he would make different trips over part of the work.

Q.—Well, did he inspect the classification of the work and all that kind of thing? A.—Yes.

Mr. Yorston: Has the Government engineer ever been over the whole line to your knowledge? A.—Oh, no, not over every foot of it.

Q.—How far has he been up the road? Did he ever see the line at all from Quesnel to Fort George? A.—Yes, he went from Quesnel to Woodpecker Island; I remember there was a camp there, and I think that he made two trips to Fort George.

Q.—To Fort George? A.—Yes, we went on saddle-horse from Quesnel to Woodpecker Island camp, and Mr. Gamble stopped off there and I went on; and he took the steamboat from there.

Q.—Isn't it a fact that when he was over there at different times, that he travelled in a car over the wagon-road? A.—Oh, yes, that was from Clinton to Quesnel.

Q.—And it was seldom that he ever saw the grade, except once or twice, in that distance? A.—Yes, except in that distance there are places you can see it—up on Soda Creek and Quesnel.

Mr. Taylor: What proportion would the false-work of all those structures bear in the way of quantities—to the quantities in the finished structures? Take all the structures and all the false-work, what proportion would the total false-work bear to the total quantities in the finished structure? Would they be about the same? A.—Oh, no; I suppose it would vary with the height.

Q.—Well, I want you to consider that, and give me a rough average? A.—I don't know.

Q.—Wouldn't it be about the same. A.—I don't know.

Q.—Surely you can give it approximately? A.—You mean what the false-work would average?

Q.—To the total finished structure—the quantities in the false-work as compared with the total finished structure; can you give me that? A.—No, I could not. Take, for instance, in the Fraser River Bridge there is no doubt they would lose the false-work there.

Q.—What do you mean by false-work? There would be more false-work than the total finished structure in that bridge? A.—No.

Q.—Now take all the bridges—I am putting it in that way. I think I am suggesting to you right when I say I think it would be the same; if it would be more let me know? A.—Well, I certainly did not estimate the false-work in it or measure the timber that was in the false-work, I assure you. You must realize I left that to the man who was in charge of the work.

Q.—Now you are a chief engineer, and any man who would ask me about certain work in my class of work I would be able to give him some answer, so you surely can tell me what proportion that false-work would bear to the finished work? A.—I could not tell you what proportion the false-work would bear to the finished work in the bridge.

Q.—Give yourself lots of latitude and give me some answer. A.—I could not do that without getting the plans that were drawn. I recollect at the Lillooet River Crossing that we ran trains across there, and the false-work was put in there so as to carry the trains across while the other part was being put up.

Q.—And the quantity in the false-work would be equal to the quantity in the finished structure; isn't that true? A.—No.

Q.—I will ask you, can't you, as chief engineer—I want to get your evidence on that—as chief engineer, having drawn the plans of these particular structures, and having checked them up, can't you say what comparison the false-work would bear to the completed structures? A.—No, I could not make any attempt to do so.

Q.—Now, I will tell you P. Welch's timber was estimated on the basis of 16,044,359 as against Culliton's estimate 15,540,563—that was on the basis of 15,540,563 that went in to the completed structure, at an average of \$55 a thousand. You see, I am taking this at \$60, \$50, and \$45; it would make an average of \$55—it gives \$980,000. And if you paid for the false-work, and if it equalled the quantities that went into the finished structure, you paid about \$980,000 too much; isn't that right? A.—No, it is not right.

Q.—Isn't it right? A.—No, it is not right.

Mr. Hall: Half of \$980,000, then, too much? A.—No, it could not be anything like that. The only false-work would be where there were Howe-truss bridges put in.

Mr. Taylor: I mean \$980,000 on bridges and trestles, and then we can deal with the others later. Now you see the point I am at, and I will come back to you, as chief engineer, having drawn those plans and specifications and superintended those bridges. You admit that some of those bridges took more false-work than the completed structures, do you not? A.—No.

Q.—You said the Fraser River Bridge did? A.—No, I did not say that the false-work would amount to more than the completed structure. I say that it is likely there would be a loss there in the false-work during the progress of the work, but I don't know whether there was or not.

Q.—Now, coming to my question again. That is what you said of the Fraser River Bridge. You will see the importance of finding out whether these specifications (the revised timber structure specifications) are to be violated or not, and the importance of determining whether the letters sent out to your engineers that have been referred to here were actually sent with your authority or not. Will you, in view of that important situation, tell me that you cannot

tell me approximately the comparative quantities of timber in the false-work as against the quantities of timber in the finished structures? A.—No, I cannot; I certainly cannot.

Q.—Well, it is unfortunate that you cannot. It is a huge sum, in any event? A.—I don't think it is a very great sum for false-work. I don't think so.

Q.—Well, what do you call a very great sum? Would you call \$750,000 of any importance? A.—It would not be anything like that.

Q.—If it were the same quantities that I have pointed out to you, it would be approximately \$980,000; and if it is more it would be more than that, and you say it would be less. But you cannot tell how much false-work there was? A.—We can tell you what the false-work was; certainly we can.

Q.—If you can tell me it is not \$750,000, then you can tell me the comparison between the quantities. But if you cannot tell me one you cannot tell me the other; and if you can tell one you must be able to tell the other. A.—The figure you mention is so much out of proportion that I know it could not be anything like that.

Q.—How is it you have an opinion when I mention dollars and cents and you cannot express an opinion when I mention the quantities, and the dollars and cents are the result of the quantities? A.—You get the estimate and we can see.

Q.—That is not an answer. A.—I cannot tell you what it is.

Q.—I did not ask you to tell me what it was. I said anywhere near it. I will give you a wide margin. Can you tell me? A.—No, I certainly could not.

Q.—But you can say apparently in dollars and cents it was not so-and-so? A.—Certainly, because if it was it would be most extraordinary.

Q.—But the dollars and cents are the product of the quantities multiplied by \$55; and still you cannot give me the quantity? A.—You can get it on the estimate.

The Secretary: That can be calculated up later.

Mr. Taylor: I don't think the false-work is on the estimates. Look at Exhibit 41? A.—That is my understanding; that the false-work is on the estimates.

The Chairman: I have got Exhibit 41. That is the last exhibit.

Mr. Taylor: The last certificate—not the last exhibit.

The Chairman: Yes.

The Chairman: Show me where the false-work is included there? A.—It would not show on this.

Q.—Well, would the moneys paid for the timbers in the bridges show there? A.—No, it would not show whether it was false-work or trestles.

Q.—Well, it would show it was money for trestles—for the timbers in the bridge. What items show that in that page you have before you?

Mr. Taylor: Are you asking him something?

The Chairman: Yes, I am asking him to show me what item will show the timbers in the bridges? A.—I don't understand this myself.

Q.—Aren't those prepared in your office? A.—I don't know whether that is prepared in our office or not.

Mr. Taylor: It is signed by you, isn't it? A.—Yes, it is signed by me.

The Chairman: But you say you don't understand it? A.—I don't understand this part of it; this part was prepared in Mr. Gamble's office.

Q.—Which part of it do you refer to? A.—This first part of it—this page 4.

Q.—That is Certificate 41—that is pretty well at the end. It is the last page of that exhibit. Now, what I want to find out is, because I am not supposed to know anything about these things—I want to find out from them the items which show the timber that was brought into the bridges. A.—There are details of all that. We have the sheets of that.

Q.—Will you tell us the Government engineer did not see those? Now, here is one thing—you tell us that the money was paid out by the Province, and I want to know what it is, and if it has any meaning here.

The Secretary: Well, you would think when he did not go over the work and inspect it personally you would give him a pretty detailed account of it on the estimate? A.—Well, there were a lot of these estimates that I signed, and that was all.

The Secretary: But aren't the estimates one thing you would be particularly interested—that is, in saying they were correct before you signed them? A.—Well, what I would be

interested in would be in the plan of the work, and the location of the line, and the avoiding doing unnecessary work, and things of that kind, and I would naturally depend on those others who were out there for this.

Q.—Did you have district engineers? A.—Yes, we had district engineers, and we had resident engineers, and assistant engineers. There were three engineers in charge of this work before it got to me, and I certainly did not expect to see the details myself—as to whether they put in more timbers than were actually required there or not. What I was interested in was the plan of the work, and to see the line was economically located, and to see that no unnecessary work was done. Of course, to a certain extent I would look into the classification. It is only natural—but I cannot take that and tell you what is represented by these amounts of money.

The Chairman: Well, I thought I was asking you a simple question, but I don't want to put up to you anything you do not know anything about. These are the certificates that went into the Government? A.—Yes.

Q.—And you signed them? A.—Yes.

Q.—And you signed them knowing that the Government never went into anything outside of these certificates. Now, if you cannot tell me that, can you tell me what they mean? A.—Well, you can get the clerk out of the room here to do that.

Q.—Who is he? A.—His name is Walton; he is over in one of the rooms.

Mr. Hanes: Do you mean to say you don't know anything about these estimates? A.—I don't know anything about this one. There are no prices on it. It simply says, "The total value of work performed to date."

The Chairman: Now, what would the Government engineer do when he got that estimate? Would he have to check it up or take it blindly, or what would he do? A.—He would take it as I did, I expect, expecting it to be correct.

Q.—Now, you see, the Government paid out millions of dollars on these things? A.—Yes, there were millions of dollars paid out, but every railway company handles it in the same way.

Q.—But do these mean anything? A.—Yes, certainly.

Mr. Hanes: Did the Grand Trunk Pacific have resident engineers on the work that they did? A.—Yes.

Q.—But you were not referring to that, were you—to that railway? I am asking you if they had divisional engineers on the road? A.—Yes, they had divisional engineers, and assistant engineers, and resident engineers, just the same as we had.

Q.—I am referring to the Government—what did they have? A.—Oh, the Government had an inspector on, I would say, every fifty or seventy-five miles of line that would be under construction.

Q.—Well, what were there in the way of Government inspectors on this line? A.—Well, the only Government inspectors were Mr. Gamble and Mr. McIntyre.

Q.—But outside of them was there any one? A.—No.

The Secretary: There was none of them living on the work? A.—No. (Speaking to clerk in office *re* estimates—aside.)

The Chairman: Do I understand that your clerk tells you that you have never been asked for estimates? Do I understand your clerk to tell you that you have never been asked for estimates by the Government? A.—Our estimates go to D'Arcy Tate. (Addressing clerk: But you surely understand what these sums were—where they come from?)

Clerk: Not on that form, because I would have nothing to do with making them up.

Witness: Apparently the sheet in question was made up in Mr. Gamble's office.

Mr. Taylor: Well, I would suggest that probably this witness would want to consult with this young man privately. I don't think it is fair to ask Mr. Callaghan to consult with this gentleman in public. I think you will agree with me in that, Mr. Chairman.

The Chairman: Yes. I have no objection to his consulting with him alone. I thought I was asking a very innocent question. I did not expect anything like this.

Mr. Taylor: Apparently it involves a consultation, and they had probably better have their consultation apart. I have no objection to their retiring if necessary.

The Chairman: Well, perhaps we could leave that and come back to it later—after you have had your lunch.

Mr. Taylor: We will take that up to-night Mr. Callaghan—that is, with regard to those estimates.

Mr. Maclean: There is just one question I want to ask, just while I think of it, before it goes out of my mind, Mr. Callaghan. Supposing a contractor wants two pieces of timber 15 feet long. He wants to put them in. Now, would it be cheaper for him to buy two 15-foot pieces, or to buy a 30-foot piece and saw it in two? A.—Well, I could not tell you.

Q.—I will ask you this, if you don't know this—that the price of timber goes up according to its length, and that, as a matter of fact, it would be cheaper for him to buy two 16-foot pieces than to buy a 30-foot piece and saw it in two. That is a fact, whether you know it or not. A.—I would just like to read a letter dated July 28th, 1914. Cheakamus, B.C.

Mr. Maclean: July 28th? A.—It is a letter to John Callaghan, Chief Engineer, Vancouver, B.C.

Q.—To whom? A.—To John Callaghan.

Q.—From whom? A.—From Crysdale. (Reading.) "Further to your letter of May 2nd, in reply to mine of April 30th, *re* estimating material in timber structures. As per your instructions, we are estimating Culliton Bros. to the nearest lineal foot of material left in the structure. This seems to me to be fair enough to Culliton Bros., but in some cases will not sufficiently reimburse Mr. P. Welch, inasmuch as in some cases, before the foundation-pits are actually completed, we have had to allow a foot or so over in our orders; then, again, I understand that when timber is purchased from a Vancouver mill, P. Welch is charged for so-called merchantable lengths; that is, the nearest even foot or in multiples of two. Please advise if it will be in order for us to accept an account from P. Welch for the timber, the estimate only showing in Culliton Bros.' favour for the nearest foot left in the structure. In such places as we are paying Culliton Bros. force-work for erection of false-work, the iron used will not show on the estimate, so that it would seem to me that we should accept a bill from P. Welch to cover the iron used in the false-work." That is a letter from Crysdale.

Mr. Taylor: Would you let me see that answer, please?

Mr. Maclean: That will be Exhibit 95.

(Document marked "Exhibit 95.")

Mr. Hanes: As I understand that letter, Mr. Callaghan, the Railway Company have been paying for the iron in the false-work in addition to the false-work? A.—They have been paying for whatever was estimated.

Q.—Well, isn't it a fact that the Company paid for the iron-work, as that letter shows, in addition to the timber for the false-work? A.—The only answer I could give to that would be to produce the estimate. I certainly could not tell any other way, because whatever Crysdale would estimate, I passed whatever he estimated it. That is the way that would come.

Mr. Taylor: Now you see this letter, Exhibit 95, dated July 28th, 1914, Crysdale to you, it seems to me to make the matter more necessary to go into.

The Chairman: You had better have that letter marked as an exhibit, Mr. Taylor.

Mr. Taylor: It is marked. I have put Exhibit 95 on it. Now, this letter of Crysdale to you says, on July 28th, 1914: "As per your instructions, we are estimating Culliton Bros. to the nearest lineal foot of material left in the structure. This seems to me to be fair enough to Culliton Bros., but in some cases will not sufficiently reimburse Mr. P. Welch, inasmuch as in some cases, before the foundation-pits are actually completed, we have had to allow a foot or so over in our orders; then, again, I understand that when timber is purchased from a Vancouver mill, P. Welch is charged for so-called merchantable lengths; that is, the nearest even foot or in multiple of two." You defined that a little while ago, and I find your instructions to Culliton Bros. are identically as Mr. Crysdale says. Exhibit 81, dated May 2nd, 1914, reads as follows: It is in John Callaghan's own signature this time, and it is addressed to C. R. Crysdale, Assistant Engineer, Cheakamus, B.C. "Replying to yours of April 30th, *re* estimating material in timber structures, will say that this will be estimated to the nearest foot; that is, where a post or other stick, according to our plan, requires to be 20 feet 3 inches, we would require to pay for a stick 21 feet long, as the mills would not furnish timber—" A.—Yes.

Q.—Just wait a moment. "—as the mills would not furnish timber in lengths of fractional parts of a foot." Therefore, in that letter that you gave here, Culliton was only being paid so much a thousand for labour for putting the material into the bridge, and you gave

him an estimate of 15,540,563, and you gave Welch 16,044,359—a difference of 503,796, according to you; 433,000 board measure. Now, how do you get that additional feet coming to P. Welch if you have already given Culliton that number of merchantable feet? A.—The quantities are whatever the engineer estimated, certainly. And my understanding is that he was only estimating what P. Welch had to purchase in order to build a bridge, and if he estimated more it would not be according to what I told him to do.

Q.—We thought a minute ago, in dealing with Exhibit 79—namely, that statement that the Honourable John Oliver got from you—we thought that Culliton was measured up strictly according to the quantities taken off your plan; and now we find that he was given commercial lengths, and was given timbers that never went into the bridge, and still this difference exists between him and P. Welch. How was it? A.—Because Crysdale had permission to estimate to P. Welch whatever he had to purchase to build the bridge, and if he was given any more than that I did not tell him to.

The Chairman: Would he have had to purchase more than the merchantable length? A.—No.

Q.—Do you understand the purport of Mr. Taylor's question, Mr. Callaghan? A.—Yes. He takes it that odd lengths can be purchased.

Q.—Oh, no, you had better put that to him again.

Mr. Taylor: I am speaking by the book, and when I say that, I am speaking by your letters. For instance, here is your own signature on Exhibit 81, in a letter to Crysdale dated May 2nd, 1912, and you tell Mr. Crysdale how to estimate Culliton? A.—I don't think that that is his reply to Culliton at all. It doesn't mention Culliton in that which you mention, does it—that I wrote—does it mention it? I know he mentioned the 20 feet and 3 inches.

Q.—Now, just let me read it to you again, and then I will read Crysdale's answer? A.—Oh, well, that answer is quite different.

Q.—Now, here are the instructions, in the letter dated May 2nd, 1914: "In reply to yours of April 30th *re* estimating material in timber structures, will say that this will be estimated to the nearest foot; that is, where a post or other stick, according to our plan, requires to be, say, 20 feet 3 inches, we would require to pay for a stick 21 feet long, as the mills would not furnish timber in lengths of fractional parts of a foot." It is signed John Callaghan. A.—That was my—

Q.—Now, just a minute. Mr. Crysdale answers that letter on July 28th, 1914. I had better read the first paragraph: "Further to your letter of May 2nd, in reply to mine of April 30th, *re* estimating material in timber structures. As per your instructions, we are estimating Culliton Bros. to the nearest lineal foot of material left in the structure. This seems to me to be fair enough to Culliton Bros., but in some cases will not sufficiently reimburse P. Welch," etc.

Mr. Maclean: Because he could not buy odd sticks.

Witness: That is what he told me.

Mr. Taylor: Now, you define what is the nearest foot in Exhibit 81 in your letter of May 2nd? A.—Yes.

Q.—May 2nd, 1914, Exhibit 81, and it is referred to by Crysdale in May, where he says, "I am following that by Culliton," and he means to give Culliton 21 feet where the actual measurement is only 20 feet 3 inches. That is because of the way the mills sell the timber, in merchantable or commercial lengths? A.—Well, I believed at the time I wrote that letter that the timber could be secured in those lengths, but he told me later on it couldn't.

Q.—Now, just a moment. In the face of Culliton Bros. getting a measurement on that basis, there is still a difference between Culliton Bros. and the measurement you gave to P. Welch for the same structures, according to you, of 433,000 feet, and according to this exhibit, Exhibit 79, there is a difference of 503,796 feet. Now, how do you explain the difference that you gave P. Welch under those circumstances, and which we did not understand before? A.—It simply resulted from Crysdale exercising the privilege I gave him, and it seems that possibly he went beyond what was necessary, but I don't know as to that; I don't know.

Mr. Maclean: As a matter of discussion, it is clear enough.

Witness: He may have given him more than what was necessary, and more than what I told him to.

Mr. Maclean: He would give Culliton 21 feet, although 20 feet something went in there; but Welch could not buy a 21-foot stick and he would have to pay for a 22-foot stick, and therefore Welch would be entitled to more than Culliton, although you gave that to Culliton.

The Chairman: The witness has not suggested that.

Witness: That is my understanding.

Mr. Taylor: We are confining ourselves to the exhibits.

Mr. Maclean: Oh, well, the thing is clear.

The Chairman: Is that a fact, Mr. Callaghan? A.—That is my understanding. That is the way it was represented to me, that it was necessary for P. Welch to buy that timber in even feet, of multiples of two; and if that was so, I told Crysdale that he could estimate it in that way if it was necessary, or to whatever extent it was necessary; and to whatever extent he did not do that, then it was different to what I expected he would estimate it for.

Q.—But you just stated, Mr. Callaghan, that you were just paying for timber in place?

A.—I say the timber in place is whatever a man has to purchase.

Mr. Taylor: Mr. Callaghan, I want to show you something that is attached to this letter you have just handed to me. Mr. Chairman, I would like to have your attention for the moment. I just find two important letters here. One is dated May 2nd, 1914, and is already filed as Exhibit 81, and the other is something which contradicts the very story which you gave this morning. It is a letter of April 30th. This is Crysdale's own letter, the assistant engineer writing to you as chief engineer. We will see whether Exhibit 74 was in existence or not. J. Callaghan, Esq., Chief Engineer, Vancouver, B.C. "Notice in specifications for timber structures that 'The quantities paid for shall in all cases be the quantities of material left in the work.' This is common to all bridge specifications, but would be glad to be advised as to whether you intend to base payment on the actual framing lengths, or will we figure the lengths to the nearest 6 inches or foot." That will be Exhibit 96. And you reply to that letter, and you don't dispute him, nor say he did not quote the proper specifications? A.—Certainly.

Q.—And those very words he quotes are a part of Exhibit 74? A.—Well, I say these timber specifications you refer to don't apply to the timber contract of P. Welch. I say they were never considered in that relation.

Q.—Now you tell me that the timber specifications revised in September, 1913, containing the clause mentioned here, were a mistake, were an accident, and were not intended to exist. A.—Certainly.

Q.—And here is a clause from the very specification quoted to you? A.—Yes.

Q.—And you reply to it, and you don't contradict it, and say that is not the proper specification? A.—Certainly, I reply to it; but I say they were never practised, and they never were practised, and they were never put into use.

Q.—He is quoting paragraph 6 of Exhibit 74: "The quantities paid for shall in all cases be the quantities of material left in the work"; and in the letter, Exhibit 96, he quotes that same language: "The quantities paid for shall in all cases be the quantities of material left in the work," and that clause is in Exhibit 74, which Mr. Callaghan says is an accident and is never used; and Mr. Callaghan replies to the letter, Exhibit 96, and he gives his instructions on May 2nd, 1914, in Exhibit 81; that is his own signature. That is your signature there, isn't it? A.—Certainly, certainly.

Q.—That is your signature? A.—Yes.

Q.—And it does not challenge that Crysdale has not quoted the proper specifications which you said this morning were an accident? You don't challenge it, and you refuse to file those specifications, Exhibit 74, because it will cut out all those extra quantities which have been paid for; and still here is a letter which you don't contradict, and your reply to it countenances a clause from that very specification. A.—If that timber could be supplied in those lengths, that is what he would be expected to follow; but he took that up later, and he said he could not supply that timber in the odd lengths.

Q.—Now, Mr. Callaghan, just calmly you can see the position that the matters are in with regard to Exhibit 74. You have seen all the correspondence this morning, and you have seen those letters now, and as a final stroke don't you wish to revise what you have said? A.—No.

Q.—And don't you wish to admit that Exhibit 74 governs this work? A.—No; as I say, those specifications I never considered that they had any relation, so far as the price was concerned, that P. Welch entered into for doing this bridge-work. I never considered them.

Q.—I see. And would the tie-maker be paid for the ties that were rejected? A.—No.

Q.—Did you ever know of Mr. Blank, referred to in that contract, ever buying those cull ties? A.—No, that would be outside of my province.

Q.—It would be likely that Mr. Welch would? A.—Well, it would be outside of my province, so I could not say.

Mr. Maclean: The sub-contractor.

Mr. Taylor: I should say that Mr. Welch would decide whether they would buy them or not. Mr. Welch would have to decide whether he would buy them or not, because he would not allow any sub-contractor to put in culled ties without his consent. Now, do you know to what extent cull ties have been used on your residency or any other place on the road? Have you any particular knowledge of any place where they use them? A.—Well, we used cull ties on the siding that we laid this summer.

Q.—Whereabouts was that? A.—About seven miles north of Clinton.

Q.—Any place else? A.—No, that is the only place where they were used on my work.

Q.—Have you ever counted the ties? I understand that some of you gentlemen sometimes counted the ties at other places than at your work, or for other purposes. Have you ever made a count of cull ties in other places? A.—No.

Q.—You have not? A.—No.

Mr. Maclean: Would those cull ties that you made use of be paid for? A.—Yes, they would be paid for to the general contractor.

Mr. Taylor: To P. Welch? A.—Yes.

Q.—But not paid for to the tie-maker? A.—No, unless in some cases Mr. Welch would pay them—or would pay the tie-maker something for them. There may have been cases of that kind.

Q.—To your knowledge, was there any case of that kind? A.—Not to my knowledge.

Q.—How many cull ties do you know of in that limited area you spoke of which were actually used—just in that one little area? A.—Oh, about 900 ties.

Q.—900 ties? A.—800 ties.

Q.—Do you know of any statement having been prepared of the cull ties—the number of cull ties used and on hand? Was there any such statement? I understand that there are statements made up on some railroads? A.—The work was only progressing for that when I left.

Q.—The work of what? A.—Of taking stock of ties on the ground.

Q.—And in the road-bed? A.—No, not in the road-bed, but the stock of ties on hand.

Q.—Did you have anything to do with that? A.—My inspectors were doing it under my instructions.

Q.—I was instructed that you had something to do with it. Do you know of any statement being in existence of the number of culled ties on hand? A.—Well, I believe that Mr. Stoner has been getting out a statement of cull ties.

Q.—I would ask that Mr. Stoner produce it. Have you any statement of the cull ties? Mr. Stoner: They are at work on it now.

Mr. Taylor: I would ask you to produce all your statements of cull ties.

Mr. Maclean: Was the same system pursued on the Canadian Northern Railway? A.—Well, we had nothing to do with the tie inspection on the Canadian Northern Railway.

Q.—You had no experience there? A.—No, I don't know what that was.

Q.—I suppose that was a common thing, though, to make use of cull ties for siding? A.—I believe it is a common practice.

Q.—It is quite sufficient for that purpose? A.—Yes, good ties.

Q.—What about a tie that is larger than a 7-inch space? A.—Well, if it was too big it would project out too far, and it would not go in the work.

Q.—And you would treat that as a cull? A.—Yes, anything that was too big to be put in.

Q.—Would it be of any use on the siding? A.—Very little use. It would be probably left over on the right-of-way, and be taken away later by the sectionman.

Mr. Taylor: Now, while Mr. Stoner is getting that statement for me we will pass to another subject-matter. Take, for instance, the surfacing and ballasting. Was there anything done of that nature on your residency? A.—Yes.

Q.—I want to know how it was done and how it was paid for in each case and when? A.—We paid for it.

Q.—Deal with surfacing—train-haul and side-surfacing and ballasting? A.—We paid for surfacing on the length of mileage—the length of trackage, less bridges. It was paid for with the track-laying.

Q.—I don't exactly understand that? A.—As the track was laid, or ahead of the track-laying, our gang of men would take the material from the sides—they would take certain material from the side of the cut and throw it on to the grade to give the ties some sort of bedding; in the first place, it was in order to protect the steel for the track, and so that it is possible to run over that line, and it is to make it plumb.

Q.—And how is that paid for? A.—That was paid for as side-surfacing.

Q.—At \$700 a mile? A.—I presume so.

Mr. Hall: What is that answer?

Mr. Taylor: He says, "I presume so." That is that side-surfacing was paid for in that way. And was all the steel mileage paid for as side-surfacing? Was the total steel mileage paid for also as side-surfacing on your residency? A.—The total mileage of the track was paid for.

Q.—And the total mileage of the track was called side-surfacing as well? A.—Yes, less bridges, of course.

Q.—Now, Mr. Callaghan told us, and I am not asking you to contradict him, but I just want to get an explanation of this. Mr. Callaghan told us that side-surfacing would only be paid for in those isolated cases where they were able to get suitable material on the sides to do the surfacing, and where they could not get such material the rest of it was "train-haul surfacing."

The Chairman: Aren't you going to put it the other way around?

Witness: Well, that was possibly Mr. Callaghan's interpretation. I would like to say that I paid for side-surfacing in that way on different instructions from the divisional engineer, Mr. Stoner.

Q.—On instructions? A.—Yes.

Q.—Did you get written instructions from Mr. Stoner on that? A.—Yes, I did.

Q.—Have you got them? A.—They would be on file. (Addressing clerk.) Can you bring me the "inwards" and "outwards" correspondence?

The Chairman: Mr. Taylor, didn't Mr. Callaghan say that when this was train-hauled they charged for it at 50 cents? Wasn't it 50 cents train-haul and then the side-surfacing as well?

Mr. Taylor: It was the surfacing as well, but not the side-surfacing. You see, there is surfacing A and surfacing B. You will find that it in the track-laying and surfacing specifications.

Mr. Maclean: Surfacing B—that is practically ballasting.

Mr. Taylor: Mr. Callaghan's interpretation was that he had a right to train-haul all the material and dump it along the right-of-way, and then charge us \$700 for spreading it? A.—Well, that would be my interpretation of it.

Q.—My idea is that the original contract says side-surfacing is to be paid for at \$700 a mile. That is in the contract with P. Welch. And then the next item is, "Surfacing train-haul, per cubic yard, 50 cents." That means the train-haul and the surfacing, and that is what Mr. Tate thought in those letters that I filed from Mr. Thomas to Mr. Callaghan, and then they changed the contract.

The Chairman: I think still that Mr. Callaghan's evidence fits in with this witness. This witness says the whole mileage was paid for as side-surfacing. That is right, isn't it? A.—That is right, less bridges.

Q.—Mr. Callaghan said that it is all paid for as side-surfacing, and then was also paid for as "train-haul" in addition.

Mr. Maclean: Where it was necessary to have train-haul?

The Chairman: In addition to where it was necessary to have train-haul, he charged that in addition.

Mr. Taylor: Yes.

The Chairman: Well, this is not inconsistent with this witness.

Mr. Taylor: You might have got half the dirt from the side, and you would have to train-haul the other, but you would allow 50 cents per cubic yard for the train-haul.

The Chairman: And then the other \$700 as well.

Mr. Taylor: If they did that we would be that much worse off. That would make it quite a vast sum.

Mr. Callaghan: It was all paid for as surfacing, in any event.

Witness: When that ballast is put under the track, the whole thing is in order; the ballast-ing being paid for separately, and the side-surfacing.

Mr. Maclean: At 50 cents? A.—And the side-surfacing is paid for at \$700 and the matter is then in order.

Mr. Taylor: Just let us get that straight. Do you say the surfacing, whether side or not, was paid for at \$700 a mile? A.—Yes.

Q.—And the ballasting was paid for by the cubic yard? A.—Yes.

Q.—The train-haul stuff? A.—Yes.

Q.—Now I am reading from the specifications, section 159: "Surfacing A will include all work of procuring surfacing material from side-ditches or other places where allowed, putting under the track, surfacing, lining, and all other work incident to the preparation of the track for operation where material for surfacing is obtained from the side." Now, that is the material and the labour of the whole thing complete? A.—Yes.

Q.—And section 160 reads: "Surfacing B will include the cost of all train-hauled material under the track, surfacing, lining, and all other work incident to the preparation of the track for operation where surfacing is done with train-hauled material." It will include the cost of all train-hauled material. That means the hauling and the surfacing work, and in this case they paid \$700 a mile, and the 50 cents besides.

The Chairman: That was where they had to haul it?

Mr. Taylor: Yes.

The Chairman: Well, that is my understanding.

Mr. Maclean: That was changed at the inception of the contract.

Mr. Taylor: Then you will remember on the 20th day of November, 1915, Mr. John W. Stewart made a changed contract with Mr. P. Welch, and they both signed it. You remember that document? It is filed as an exhibit—116, if I remember correctly; and it is also attached to Exhibit 23, the contract with P. Welch.

The Chairman: Well, that was in order to make the contract conform with what this witness says was done?

Mr. Taylor: Yes.

Mr. Maclean: That was settled in 1913.

Mr. Taylor: I cannot agree with that.

Mr. Maclean: The last letter was written in the early part of 1913. Mr. Gamble raised the question in 1912, and it was settled by a letter written in 1913, and the letter was produced.

The Chairman: It was settled in this sense: That P. Welch at that time said what he understood by it, and apparently the Government engineer took P. Welch's word for it.

Mr. Maclean: And the fact is this: You do your side-surfacing, and if in addition to that you have to bring in what is really ballasting, you get paid 50 cents a cubic yard for it for rail ballast?

Mr. Hall: If I might interrupt. There might be some places where there would be very little side-surfacing. That would vary, wouldn't it? A.—Yes, that would vary all the time.

Q.—In some places that train-haul would be considerable, and in some places less? A.—Yes.

Mr. Pooley: From some places—

Witness: There would be some places where the side-surfacing would be very light, and some places where it would be heavier, and the ballast would be brought from the nearest available pit, such pits being picked from the nearest possible point where there was gravel of a suitable nature for ballasting.

Mr. Taylor: Just another point that Mr. Maclean referred to with regard to the language of the amendment, changing that matter; it has been suggested that it was changed in 1912 by some correspondence. The language of the actual amendment following Mr. Tate's ruling is shown by a letter dated November 20th, 1915, which has been put in as Exhibit 116. It is

signed by Mr. J. W. Stewart as President and directed to Mr. Callaghan, which reads as follows:—

"Referring to the contract for surfacing and ballasting, in order that there will be no misunderstanding or inconsistency with respect to the schedule of prices and the specifications governing the work, I have decided to amend the contract as follows:—

"Surfacing A—Seven hundred and 00/00 dollars (\$700) per mile.

Surfacing B—Seven hundred and 00/00 dollars (\$700) per mile.

Ballasting—Fifty cents (50c.) per cubic yard.

"Above amendments to contract dated 23rd September, 1912.

"Accepted,—P. Welch, Contractor."

Mr. Maclean: Now, Mr. Taylor, that was all settled in 1912 and 1913.

Mr. Taylor: I cannot agree with that.

The Chairman: Well, we all went into that feature. I looked up those letters very carefully, and it was settled in this way: In 1913 a letter was written by somebody from the Railway Company—Mr. Callaghan, I think, or Mr. Tate—asking Mr. Welch what it meant, as the Government engineer wanted to know.

Mr. Maclean: No, no. Excuse me. Now, I will look that up.

The Chairman: And Mr. P. Welch wrote back and put his interpretation on it, and that ended it.

Mr. Maclean: The first question was raised by Mr. Gamble. That was in 1912, and then there was a letter that went to Mr. Gamble stating their idea of what it was intended to mean.

The Chairman: Well, the only sense in which it was settled was this: Mr. Welch wrote back and put this interpretation on it.

Mr. Maclean: And it was accepted.

The Chairman: It was passed on to the Government engineer.

Mr. Maclean: And then the question was raised again by Mr. Thomas?

The Chairman: It was not settled, as I understand it, between the Company and P. Welch. There was no contract between the contracting parties as to what it meant. All that happened was that Mr. P. Welch put his interpretation on it.

Mr. Hall: Mr. Thomas in his letter quoted a certain ruling that he had from Mr. Tate.

The Chairman: I doubt very much if that letter of Mr. P. Welch in the spring or winter of 1913 could have been called a settlement, in the sense that it completely modifies this contract.

Mr. Hall: Now, Mr. Grabbie, you said, I think, that the side-surfacing has been paid for the full length except the bridges? A.—Yes.

Q.—Well, how much of that would be fills—half of it, or how much of that distance? A.—Well, I would say, offhand, probably 75 per cent. of the cut.

Q.—75 per cent. would be embankments or fills? A.—75 per cent. of the cut; but I cannot say definitely without referring to the profiles.

Q.—Well, taking where there were embankments or fills—this side-surfacing, was it just taken off the edge of the embankments already made? A.—Yes, in some cases.

Q.—Which had already been paid for at excavation prices? A.—Yes.

Q.—On classification? A.—Yes. The fill, of course, would be paid for in the excavation prices.

Q.—That would be just taken off the edge of the embankment as it had been made? A.—It shows as a fill.

Mr. Taylor: Mr. Tate wants Mr. McIntyre's report of March 5th, 1917, filed. It is a report to the Honourable John Oliver—Exhibit 150, isn't it?

"I herewith enclose for your consideration Estimate No. 6A, which covers the extra work, expenditure, deducted from Estimate No. 6, pending receipt of further details from the Pacific Great Eastern Company.

"Last week Mr. Callaghan, chief engineer of the P.G.E. Railway, called at this office and produced detailed statements showing itemized expenditure of P. Welch, contractor, on the Capilano Bridge renewal, and also the grading and bridge-work near Fort George. I went thoroughly into the extra work expenditure with him, discussing the various sections upon which work has been done, and would recommend that this estimate be passed for payment."

Mr. Tate: That is all I want; the other does not refer specially to it.

Q.—As I say, I may be absolutely inaccurate with regard to that \$980,000 paid for bridge false-work, but it would cut out those thousands of feet that should never have been allowed, and I don't know what other effect this introducing of Exhibit 74 will have. Now, are you willing to stand by all the letters that you have written yourself, and which have come from your office, and these specifications, and the printing of them, and the great mass of documents that we now have, and Exhibit 74? And are you willing to stand against this Exhibit 8, beginning with paragraph 13, being the same number of paragraph that was found in Exhibit 74; are you willing to stand against all that array of evidence, and not revise what you have sworn to here? A.—I say I never put those specifications in use on the work, and I never did.

The Chairman: Let me ask you something. You knew, of course, something about the way this road was going to be constructed under the guarantees from the Government, didn't you? A.—Yes.

Q.—And you knew the Government were putting up practically all the moneys that were to be paid on these estimates? A.—I didn't actually—

Q.—You could not help knowing that. It is right, isn't it? A.—I knew the estimates were coming over here and were being paid.

Q.—You knew the Government were paying the money out of the proceeds of the bond? A.—Yes.

Q.—And you knew that specifications had been submitted to the Government? A.—Yes.

Q.—As to the nature of the contract that has been entered into? A.—Yes.

Q.—And that the Government had guaranteed the bonds on the basis of the contract; you knew that, didn't you? A.—As I understood it, the guarantee was given long before there were any specifications, and also the prices were named; but the specifications were never put in force until December of 1912.

Q.—You knew that specifications were submitted to the Government on which the road was being built? A.—The specifications? No, I don't know that; the only specifications that I know that might ever have been submitted to the Government were those of September, 1912.

Mr. Maclean: Those were Exhibit 4.

The Chairman: Didn't you know that the Government were supposed to have a copy of the contract on which P. Welch was working? A.—Yes.

Q.—And that they were paying out the money, or practically all the money that was going to P. Welch, presumably on the basis of that contract? A.—I would think so, yes.

Q.—And you knew that your ignoring of Exhibit 74 was materially affecting the amount of money that P. Welch was getting? A.—Exhibit 72—what does that refer to?

Mr. Taylor: Exhibit 74, the timber structure contract. A.—Oh, the timber structure specifications?

Mr. Taylor: Yes.

Witness: Well, I would say that that has never been submitted to the Government.

The Chairman: It has never been submitted to the Government? A.—No, it has never been submitted to the Government. I say that that was never intended, and never was made use of in estimating any work; and it was never sent to the Government, certainly not.

The Secretary: How would the Government engineer know anything about these estimates? A.—The only thing that the chief engineer of the Government had was the timber that was in those specifications, and that is all that applied to the work.

Mr. Hanes: Now, you have just mentioned that document—that is Exhibit 4 that you have just mentioned. I will just ask the Secretary about that. Exhibit 4 was the one that was filed in the Government office?

The Secretary: Yes.

Mr. Hanes: I want Mr. Callaghan to be clear on that before I ask the next question.

Mr. Taylor: That is correct. I have them here.

Mr. Maclean: That was produced from the Department of Railways, the last agreement.

Mr. Hanes: Exhibit 4; do you say Exhibit 4 was filed with the Department? A.—It was sent to Mr. Tate, and I presume he did file it.

Q.—There was a letter read here this morning, where you wrote revising Exhibit 74 with regard to the Howe trusses, which stated that the erection of Howe trusses—the price paid should include all false-work. Is it not a fact that you wrote that letter? A.—That has never been submitted to the Government.

Q.—But you wrote the letter amending that section? A.—I don't know that I did. Somebody might write a letter like that and put it down before me, and I would sign it with two dozen others.

The Chairman: Do I understand that the Government did not know and never inquired, and did not care what arrangements they had with P. Welch as to the false-work? A.—I never heard anything about that.

Q.—You never heard anything about that? A.—No, I never heard any inquiry about that.

Q.—And you didn't think it was your duty to inform them of that? A.—No, because I intended to pay for the false-work, and did pay for it.

Q.—And paid for it out of the moneys advanced by reason of this certificate? A.—Yes.

Q.—And you paid for it on the same basis as the permanent work? A.—Certainly.

Q.—And the Government paid for the material that did not go into the bridges at the same rate? A.—Certainly.

Q.—And they made no inquiries about it one way or the other? A.—No, I never heard of any inquiries about it.

Mr. Hanes: Now, Mr. Chairman, for the benefit of the members of the Committee, there has been some more letters produced since I made the statement I did a little while ago. I just wish to make this statement again. In face of the specifications that have been produced, I again state that I think the veracity of this evidence should be taken into question.

Witness: I am informed now, with regard to the false-work, that there is a total of 499,526 feet board measure.

The Secretary: False-work? A.—Yes.

Mr. Taylor: What is that? A.—I am informed that the total amount of false-work amounts to that.

The Clerk: That was in taking off the estimates roughly.

Mr. Taylor: And what is your name, please?

The Clerk: Allan.

Mr. Taylor: What is your full name? A.—Hugo Allan.

Witness: And taking that at \$50, that would amount to \$25,000 for the false-work.

Mr. Hall: Is that on one bridge or on all the bridges? A.—That is said to be the total of all the bridges.

Mr. Allan: It might be more than that, but not very much; but that is approximately what it is.

Mr. Taylor: Where are the estimates from which that is taken?

Mr. Allan: The estimates?

Mr. Taylor: Yes. The estimates from which that was taken. Will you produce them, please?

Mr. Hanes: Mr. Callaghan, I would just like to ask you this question now in connection with this.

Mr. Taylor: Pardon me a minute. You were referring to some memo.? Would you mind letting me have that memo.?

Mr. Hanes: Say between Squamish and Clinton. If there were about 2,000,000 feet of timber paid for as timber in trussed bridges—

Mr. Maclean: You are putting that in, are you? That will be Exhibit 97.

Witness: Between where—between Squamish?

Mr. Maclean: On section 2 between Miles 43 and 162—I want to know if there were 2,000,000 feet of timber paid for by the Government at \$60 a thousand; what do you class in that respect? In that respect what do you class as timber and trussed bridges—just the truss? A.—No, everything, everything; everything that is in the Howe truss.

Q.—In addition to the truss itself? A.—It is on the whole floor system. Everything is truss.

Q.—Well, I want your explanation of it—what you have figured in there? A.—Everything; everything that is within the piers; everything that goes between the piers of the Howe-truss span.

Mr. Taylor: It is a quarter to 1 now, Mr. Chairman, and I shall have to go into another subject-matter. We might adjourn.

Mr. Hall: Whose initials are those, Mr. Callaghan, "G. C. D."? A.—G. C. Drabble.

The Chairman: You would suggest adjourning at this hour. I guess if the Committee are satisfied, I am.

The Secretary: This is over the whole work, is it? A.—He says that is over all the work that requires false-work.

Mr. Taylor: Well, we will call Mr. Drabble. That is the gentleman who was up here this morning, and we will call him, at any rate, and will get him to give the figures himself. Apparently Mr. Allan was simply a messenger who brought in the information.

The Secretary: I think he ought to figure it up correctly. This is only roughly made up.

Mr. Maclean: Yes, this is only a rough estimate, and we will do the best we can to give you more details. We cannot give it to you more fully just at present.

Mr. Taylor: He can give you the number of the certificate.

Mr. Maclean: The whole investigation shows that he has been dealing fairly with Welch and Culliton. That is all there is about it, absolutely. We have shown it and proved it by demonstration. Culliton got allowed for 21 feet instead of 20 something.

Mr. Taylor: There is no use of talking to me about it. I am not deciding the matter at all. I am only bringing out the facts.

Mr. Maclean: You are a long distance beyond the facts.

Session adjourned till 8.30 p.m. this evening, March 26th, 1917.

ELEVENTH SESSION.

MONDAY, March 26th, 1917.

The sitting of the Commission of Inquiry herein met pursuant to adjournment at 8.30 p.m.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, W. E. Ross, L. W. Shatford, and R. H. Pooley; S. S. Taylor, K.C., appearing as counsel herein for the Minister of Railways; H. A. Maclean, K.C., appearing for the Pacific Great Eastern; Messrs. E. P. Davis, K.C., and J. N. Ellis, appearing for Messrs. Foley, Welch & Stewart.

J. Callaghan, witness.

Direct examination continued by S. S. Taylor.

The Chairman: All right, we have come to order. We have a motion to put.

Mr. Hall: I beg to move, "That this Committee present an interim report to the House, submitting the first 302 pages of evidence taken by the Committee, and that we recommend that the same be printed for the information of the House forthwith."

Mr. Yorston: I second the motion.

Motion carried.

J. Callaghan, witness.

Mr. Taylor: Is it true, Mr. Callaghan, that 1½-inch over the quantities contained in the lumberman's—the sawmill's bills to Mr. Welch was allowed on timber in bridges—½-inch extra size? A.—Yes.

Q.—That is over the sawmill's bill? A.—Yes; that is according to the sawmill's bill, I understand.

Q.—According to it? A.—Yes.

Q.—And not in addition to it? A.—No; I understand the board measurement has been computed by the mill. That is my understanding of what he was to be allowed.

Q.—Are you sure on that point? A.—Well, that is what it should be. If it is different, why, then it could not be correct.

Q.—What would show the measurements were allowed in that particular case? A.—The bills if they are to be had—the bills that were supplied by the sawmill.

Q.—I take it you have no knowledge now that anything was added to the sizes given by the sawmill? A.—No, it was not my intention that anything should be added.

Q.—For instance, this stuff was dressed, wasn't it? A.—Yes.

Q.—Specified dressed? A.—Yes, it was specified dressed on four sides.

Q.—And that would be given to you at the sawmill at the dressed size, or at the rough size? A.—At the rough size.

Q.—At the rough size before it was dressed? A.—Yes.

Q.—And the rough size is what you would include in your allowance for the bridge?
A.—Yes.

Q.—I am going to pass now to another subject-matter. You had some discussion with Mr. Oliver, whilst he was interviewing you in Vancouver, as to the measurements given you for crib excavations? A.—Yes.

Q.—What part of the specifications refer to the crib excavations? What part or parts refer to that? A.—I don't seem to have the specifications with me.

Q.—Will you please produce the specifications respecting cribs, Mr. Callaghan, and also the contract of the 23rd September, 1912, of Mr. Welch? I would like to have it.

Mr. Bullock: Any particular one?

Mr. Taylor: Particularly 4 and 5; that will be sufficient. Look at 4 and 5, page 6? A.—This is not it.

Q.—Exhibits 4 and 5, page 6? A.—This does not seem to be the complete set.

Q.—Take Exhibits 4 and 5. Did you give him Exhibits 4 and 5?

Mr. Hall: Yes, they are there beside him.

Mr. Taylor: Paragraph 9? A.—That is not the specification that is in use, as far as I can see.

Q.—This is the one that was filed with the Government, Exhibit 4. Pardon me, this is the one you produced, Exhibit 5. A.—I don't see the excavation part here.

Q.—Page 6, under "foundations"? A.—I don't see it there at all.

Q.—Yes it is in—there it is. A.—This is not the one that is in use only until 19—

Q.—Perhaps this is the one? A.—The date would be shown there on the specifications. That is not in force.

Q.—You mean the revised one would show the date? A.—Yes.

Q.—Haven't you got one of those here?

The Secretary: It is an exhibit, isn't it—the revised one?

Mr. Taylor: Amended March 1st, 1914; that is written on this. Look at this one and see if it is not the correct one. Look at this? A.—No; it has the date printed on the front of it.

Q.—Isn't it printed on the bottom? A.—No, I think it is printed on every page. I think it is printed on every page.

Q.—Well, take Exhibits 4 and 5, those are supposed to be the ones; but the one that Mr. Callaghan wants is the one that is printed on the first page, "revised March 1st, 1914." I have two copies of it and it has red-ink changes throughout it. Perhaps you can use one of my copies? Is that it? A.—Yes, this is the one.

Mr. Hall: It is Exhibit 6.

Mr. Ellis: This is the revised one.

Mr. Taylor: Just look these through? A.—Well, I have.

Q.—This is the one, anyway, and we can file it now as what exhibit? I will put an exhibit-mark right on it.

The Secretary: Exhibit 98.

Mr. Taylor: Now, looking at that specification, Exhibit 98, what paragraph applies? It is the general specifications revised in March 1st, 1914. I thought I had two copies of that one, but I have only one. What paragraph applies? I shall have to use your copy until we find the other.

Mr. Tate: What paragraph?

Mr. Taylor: Yes, what paragraph applies?

Witness: To which?

Mr. Taylor: To the crib-work?

Witness: The excavation for cribs?

Mr. Taylor: Yes. A.—That one referring to grading.

Q.—"Grading," what paragraph? A.—Paragraph 7.

Q.—Paragraph 7, for retaining-cribs—I want to see that, and I want to get a copy of that if I can. Mr. Tate, could I get a copy of this? This is my private copy and I would like to get another one; this is the one that was revised on March 1st, 1914, as appears at the bottom here.

Mr. Tate: Well, this should be the departmental one. It was the same as that.

Mr. Taylor: He says not.

Mr. Tate: Well, this is Mr. Gamble's.

Mr. Taylor: Mr. Callaghan says there is a later one.

Witness: They are all very much the same.

Mr. Tate: That has all red ink there.

Mr. Taylor: All right, Mr. Callaghan, you have said that the specification under the caption "grading" of paragraph 7 of Exhibit 98 applies? A.—Yes.

Q.—That paragraph reads as follows: "Under this head will be included excavations and embankments for the foundation of the road-bed; all diversions of roads and streams; all borrow-pits and ditches; excavation of foundation-pits for log retaining-cribs other than those used for changing or deflecting the channel of streams; levelling of station-ground, and all similar work connected with and incidental to the construction of the road-bed." Now, the important part of this is this: "Under the heading of grading, excavation, and foundation-pits for log retaining-cribs other than those used for changing and deflecting the channel of stream." A.—Yes; anything that was excavated for the purpose of laying a foundation for retaining-cribs should be estimated under the ordinary grading—

Q.—Charge? A.—Yes, charge.

Q.—Now, would you let me see that contract of the 23rd September, 1912, please? That is the P. Welch contract. What was the figure allowed for grading? A.—Well, it is shown there.

Q.—Allowed for that work as grading? A.—Well, it would be whatever it happened—whatever the material happened to consist of.

Q.—Yes, I see. If it were solid rock? A.—It would be the solid-rock price.

Q.—\$1.45 solid rock; 55 cents loose rock, and cemented material and hard-pan 50 cents, and common excavation 32 cents? A.—Yes.

Q.—Now, if it were a wet foundation it would come under another paragraph, that I will read to you, would it not? Paragraph 39 of Exhibit 98, reading as follows: "Excavation under foundations. Under this head will be included all material excavated for foundation-pits for truss bridges, frame trestle bridges, culverts, excavations for foundations for cribs used for the protection of embankments from streams, or for changing or deflecting the channel of streams." A.—Yes.

Q.—That is about half of that paragraph I have read to you? A.—Yes; excavated from a bridge foundation or a culvert, or foundations for truss bridges, and so forth.

Q.—Now, if you were paying for it under that head you would pay for this item in the contract with P. Welch, paragraph 39, Exhibit 98, excavation for foundations for truss bridges, culverts, excavations for foundations for cribs used for protection of embankments from streams, etc., at \$3 per cubic foot? A.—Yes.

Q.—That means a wet excavation? A.—It means any excavation for this purpose.

Q.—For what purpose? A.—For the purpose of forming a foundation for the bridge.

Q.—A foundation for the bridge as per paragraph 39 of Exhibit 78? A.—Yes.

Q.—Which I have just read? A.—Yes; it says so plainly enough.

Q.—Material excavated from foundation-pits? A.—Yes, frame trestle bridges.

Q.—Culverts? A.—Yes.

Q.—Excavations for foundations of cribs used for the protection of embankments from streams, etc.? A.—Yes.

Q.—That is, it is a wet foundation as far as cribs are concerned, and any foundation for a truss bridge, frame trestle bridge, or culvert? A.—Yes, that was the understanding when the specification was made.

Q.—And that will be paid for at the rate of \$3 per cubic yard? A.—Yes.

Q.—As against 32 cents for the excavation in paragraph 7? A.—Yes.

Q.—It will be dry foundation for dry cribs? A.—Yes.

Q.—Now, very well, we have got that clear. As I said before, you had a discussion with the Honourable Mr. Oliver? A.—Yes.

Q.—On that subject; and he drew to your attention some information that he had that you had allowed these dry excavations for cribs—the dry cribs in the grade of the road-bed—to a certain large extent at \$3 a yard, didn't he? A.—Yes.

Q.—Was he correct in that accusation or not? A.—Oh, that was not what he spoke about. It was allowing excavation in foundation for those retaining-cribs.

Q.—Yes, that is what I say—in the ordinary grade of the road? A.—They are used for retaining embankments on steep ground.

Q.—Well, that is what I understand. Let us get it clear. For instance, you are going along a side-hill. You have dug the dirt out, and made your road-bed, and some of that dirt, of course, has gone over on the downhill side, making the grade of the road. It is so steep it is necessary to hold up that side of the road-bed by a crib? A.—Yes.

Q.—It is necessary to fill that crib with the ordinary dirt? A.—Yes.

Q.—He stated to you—did he not tell you that he was informed that you had allowed the digging of those excavations for those cribs to hold the grade on the side-hill, which he told you were extensive, did he not? A.—Yes.

Q.—At \$3 a yard instead of 32 cents? A.—Well, it would not be instead of 32 cents, but it would be whatever the price was for grading.

Q.—Well, if it was 32 cents it would be right.

Mr. Maclean: Who is the "he" that you are referring to?

Mr. Taylor: Mr. Oliver.

Q.—It would be 32 cents if it were common excavation, and 50 cents if it were hard-pan, and 55 cents if it were loose rock, and \$1.45 solid rock? A.—Yes.

Q.—And you allowed \$3; and he told you that was wrong. Was he correct in his accusation? A.—He was correct, because there was a considerable quantity allowed at that rate; but that was a mistake and it should not be that way.

Q.—Have you ascertained the quantity that has been allowed at \$3 a cubic yard instead of these lesser prices; in other words, allowed under paragraph 39 of Exhibit 98 instead of paragraph 7 of Exhibit 98? A.—It would be approximately around—or somewhere around at the very outside—between 40,000 and 50,000 yards.

Mr. Maclean: Allowed to whom?

Mr. Taylor: Allowed to Mr. Welch.

Witness: Well, it was allowed to everybody who got an estimate on that part of the work.

Q.—We will come to that later as to that part of it. Now, if it were allowed to Mr. Welch at \$3 a yard, we will say, and as you say there was from 40,000 to 50,000 yards—well, we will take it at 40,000—that would be \$120,000? A.—Yes.

Q.—Now, if that were dirt at 32 cents, it would be \$12,800 instead of \$120,000? A.—Yes.

Q.—That is the difference it makes supposing it were taken as dirt. It usually was dirt too, wasn't it? A.—Well, the estimate will show that a lot of it was.

Q.—Usually it was dirt—just as a matter of recollection—you see, you are excavating dirt on the side of the hill to make your road-bed, and it would naturally be dirt that you would have to make your crib foundation out of? A.—Well, sometimes it would be rock and sometimes dirt.

Q.—I say sometimes it would be dirt, that would take a 32-cent classification? A.—Yes. The wrong price has been applied to that.

Q.—So the difference between that would be the difference between \$120,000 and \$12,800? A.—Yes; that is subject to correction.

Q.—That is on the basis of 40,000 yards—you say it is from 40,000 to 50,000? A.—Yes; I have not gone over the claim since it was drawn to my notice sufficiently to know just what it is.

Q.—Well, when was it Mr. Oliver brought that to your notice? A.—On the 11th or 12th of February.

Q.—You have had ample time to check that up since. Haven't you done that? A.—No. I propose to take the Government engineer along with me and see what it would be fair to do, and that is the reason I have not touched it at all.

Q.—What Government engineer? A.—The Provincial Government.

Q.—This took place, however, quite a long time ago; and it has been taking place right along, hasn't it? A.—Yes.

Q.—During all these years? A.—Yes; it took place some time ago.

Q.—Now, what is the reason you wish to introduce the Government engineer into this particular mistake for? Why do you want him to come in on it? A.—Well, I want him to be satisfied. There are other things to be considered in connection with that also, and there are

other errors which work out the other way along that part of the line. It is not all one way, by any means.

Q.—We will deal with that right now. Will you tell me what in your opinion works out the other way? A.—Well, there was material assembled and paid for by the contractor; and there were a great many wrongful measurements, and they have been deducted from him after he paid for them; there have been large quantities like that in that same vicinity.

Q.—What for? What was it excavated for and deducted from him wrongfully? A.—It was in the ordinary section of the road-bed.

Q.—I beg your pardon? A.—In forming the road-bed wrong measurements were made by the resident engineer, and these were delivered to the stationman in that way, and they had settled on them like that before we discovered the mistake; and they had gone on like this to a considerable extent; but then he corrected it as to the yards and as to the classification.

Q.—What engineer was that? A.—His name was Lonsberg.

Q.—Lonsberg. Have you got his cross-sections here? A.—He did not stay long enough after that. We dismissed him, and he did not have the cross-section sheets made up yet.

Q.—Who made those up? A.—Stendall, Crysdale & Graham took charge of that work and straightened it up.

Q.—How did they make up the cross-section sheets? Did they have the original surveys of the natural lay of the ground before the cut was made? A.—Yes.

Q.—How did they have that data? A.—They had that from Lonsberg.

Q.—They had that from his field-notes? A.—Yes.

Q.—And then they measured up the cut afterwards and made their own cross-sections? A.—Well, where he made his error was giving the distances too far out. The excavation was not taken where he recorded it to be; and, of course, that was very readily deducted when measuring it up.

Q.—That had nothing to do with trestle bridges, had it? That particular error of Lonsberg's was not for trestle bridges? A.—Well, he had carried it into that; but in all these cases it has been corrected.

Q.—Did he to any appreciable extent carry it into the trestle bridge foundation? A.—I only heard of one case, and that was deducted before it was paid. That was the last work he done.

Q.—Now, you see, you gave Mr. Oliver a different explanation of this matter in writing? A.—Yes.

Q.—In typewriting? A.—I gave him the facts.

Q.—And the explanation you gave him then is not the explanation you give me on oath, of this balancing feature? A.—No. I just simply had looked it over; I did not tell him anything about Lonsberg's operations.

Q.—Well, you say that it was an error of his in making the measurements in the cross-sections, and now I will read to you what you said to Mr. Oliver? A.—All right.

Q.—This has got some writing on it since, Mr. Chairman, but I am reading the typewritten part.

Mr. Maclean: Just one minute. What is it you propose to put in?

Mr. Taylor: It is a document which Mr. Callaghan gave to Mr. Oliver on his visit to Vancouver.

Mr. Maclean: This is the original document?

Mr. Taylor: Yes.

Mr. Maclean: What exhibit—is that Exhibit 98?

Mr. Taylor: The general specifications revised March 1st are 98.

The Secretary: Are you going to put those in?

Mr. Taylor: Yes, they will be Exhibit 99.

Mr. Taylor: Now I will read the typewritten parts. The rest you can see for yourself. It is Mr. Oliver's handwriting on it. This typewritten part reads as follows: "Pacific Great Eastern Railway. Statement of quantities on section 3 in work as described below: Material excavated from foundations for trestle bridges described as trimming slopes of trestle pits and estimated as grading, 30,863 cubic yards, while under a literal construction of the specifications it should be estimated as excavation in foundations." Now, that is your explanation; and here comes the charge: "Material excavated from foundations for retaining-cribs and estimated as

excavation in foundations, 29,075 cubic yards, which under a literal construction of the specifications would be estimated as grading." Now, you see, the first thing I dealt with is the last thing mentioned in this. Then it says: "Office of Chief Engineer, Vancouver, B.C., February 12th, 1917." What does that refer to? A.—That is beyond Lillooet. Doesn't it say there beyond Lillooet—between Lillooet and Clinton—section 3?

Q.—No; just "statement of quantities on section 3." A.—Well, that is between Lillooet and Clinton; but later I find some of the same kind of estimating was done between Lillooet and Squamish, and it made a difference in the estimate, I guess.

Q.—What I suggest is, Mr. Oliver went to you with a certain charge, and this is what you handed to him as an admission and as an explanation? A.—That is all the evidence I had at that time secured. I had not had time then to go into the thing and find out if there was anything further.

Q.—But, as far as this document is concerned, Exhibit 99, you will agree with me that your explanation of the offsetting amount—you will see that they are very much the same according to this document, 30,863 cubic yards to offset 29,075 cubic yards; your explanation of the offsetting amount there is that it was something you estimated as grading, the foundation for trestle bridges, when you should have estimated that at \$3 a yard? A.—Well, that is the best information I had at the time I was talking to him. With regard to that whole thing, that was the first time I ever noticed it was in that condition.

Q.—Now you say the thing that was the offsetting matter was this man's, whose name you have given. A.—No.

Q.—His cross-sections in the actual road-bed? A.—No, I don't say that is the offsetting matter; but I say it is one of the things that would be considered when this thing is readjusted and put in its proper order. I don't say it was ever done in connection with that particularly, but I say that is one of the other things that would be considered in bringing this estimate into its proper order or classification, and its measurements, and what would be necessary to do justice to the contractor for what he had paid.

Q.—You had a very animated conversation with Mr. Oliver, didn't you, on that occasion I referred to? A.—No.

Q.—What is that? I understand that they could hear you talking all over the office, the two of you? A.—I don't think there was anything like that.

Q.—My point is this: If you did have an animated conversation with him on these charges he was making, and on this one in particular, how is it you did not write Mr. Oliver afterwards when you found some other explanation—some other offsetting matter—after having already given him this document, Exhibit 99? A.—Well, I called on Mr. Oliver later.

Q.—Did you give him the explanation you are now giving me? A.—No, I did not give him that explanation. I told him the time that he was there with me, that the best information I could make out of it, or the best understanding I could get of it from the knowledge I had of the way that estimate was at that time, that it might have been just such a circumstance as that—that somebody had given this excavation and road-beds, and had estimated to offset it by retaining the other; but I know now that that is not a fact.

Q.—I am going now a step farther. I am going to suggest to you that this very yardage that you improperly gave to Welch at \$3 a yard, when it should have been at the ordinary grading price, beginning at 32 cents and running up to \$1.45, depending on the material that was used—you actually paid the stationman, your sub-contractor, on the grading prices, but when it came to Welch you paid at the rate of \$3 a yard? A.—That has been done with respect to all the "excavation in foundations." That was requested by the sub-contractors, and the classification of the material should be made for them for their convenience in making settlements.

Q.—Well, then, we are at one. We are agreed that the stationman who did this excavating was paid at 32 cents a yard, or 50 cents a yard, or 55 cents, or \$1.45, according to the material; but when you came to put in a certificate—not for him now, but for P. Welch—you gave it in at \$3 a yard on the basis of paragraph 39 of Exhibit 98? A.—Anything in connection with the bridge foundations, that was correct to do it in that way.

Q.—That was also true of this erroneously certified crib foundation? A.—Yes, That is wrong. It should not be that way.

Q.—The very crib foundation you made a mistake in was actually paid at 32 cents a yard and up to \$1.45, according to the material? A.—That applied to the bridge foundation also.

Q.—I will come to that next. I was just going to ask you a question on that. The next question I was going to take you on was regarding those bridge foundations that you now mention in Exhibit 99—these crib foundations that should have been put in at \$3 a yard; as a matter of fact, you paid for having that work done to the stationman and to the sub-contractor as ordinary grading, and not at \$3 a yard at all, didn't you? A.—Certainly. That was the contract that was made with these men. I was requested that an estimate would be furnished for settlement with them on a classification basis.

Q.—In other words, when you were paying the stationmen you were classing it under paragraph 7—the grading; and when you were paying Welch you were classifying it under paragraph 39, gradings, "Excavations in foundations"? A.—Yes. They called it excavations in foundations.

The Chairman: Over what period of time?

Mr. Taylor: Over the whole work.

Witness: They were supplied for the work between Squamish and Kelly Lake.

The Secretary: How did this pass your divisional engineer? A.—I don't know how it got past them. They simply misunderstood the specification, or they had not read it carefully; that is the only explanation I know of it.

The Chairman: How did it get past the Government engineer? A.—It must have been the same way. Any man who will take the profile, and compare the estimate with it, and knows the physical conditions at the place where this is done, he knows it is impossible to have that kind of a classification come in the excavation for a crib. That is quite plain to anybody.

Q.—It shows that the Government engineer never checked it up with him, didn't it? A.—Evidently.

Mr. Taylor: I am going to ask you to produce the letter showing that you actually instructed your resident and divisional engineers to classify this stuff as "grading," and you turned around afterwards and deliberately classified it at the \$3. Now, I want you to produce the following letters: Letter dated August 22nd, 1914, from Callaghan to Merriam? A.—I will get the letter.

Q.—Letter dated September 16th, 1913, the Chief Engineer to Merriam? A.—Yes.

Q.—Letter of October 14th, 1914, Chief Engineer to Crysdale; February 3rd, 1915, Callaghan to Crysdale; February 17th, 1915, Callaghan to Stoner; September 2nd, 1915, Thomas to Callaghan; May 9th, 1913, Callaghan to Merriam. Have you got those?

The Clerk: Have you got the file numbers on those?

Mr. Taylor: No, I have not got that. How long will it take you to get those?

The Clerk: I am not sure.

Mr. Taylor: What have you got to show the actual quantities of such excavation over the whole line? Obviously this 29,000 figure that you gave Mr. Oliver was not the correct amount.

Mr. Maclean: He said that. That was only for section 3.

Mr. Taylor: I said obviously.

Witness: Section 2 and section 3 is where this is. Here is a letter that I wrote to Crysdale.

Q.—Is that one of them? A.—Yes.

Q.—Have you any other letters? Just check up those letters, because you may have some more of them.

Mr. Maclean: This will be Exhibit 100.

Mr. Taylor: Just a minute, I want to put them in in their order.

The Secretary: Are you going to get those Exhibits 98 and 99 marked?

Mr. Taylor: Yes, I will have them marked now.

The Secretary: Yes, you had better.

Mr. Maclean: You might as well put this letter in now.

The Secretary: Mr. Bullock says this Exhibit No. 6 was passed around and he did not get it back.

Mr. Maclean: Will you put that letter in now?

Mr. Taylor: Whilst we are waiting for these exhibits I want to file a new exhibit. It has nothing to do with Mr. Callaghan. Mr. Thomas prepared the document, which you requested him to do several days ago—namely, a tabulated digest of the progress estimates, showing the

value of the work done in each section under the different headings, such as "engineering," "right-of-way," "grading," "tunnels," "bridges and culverts," "extra work," and so on and so on, and dividing the whole thing up.

Mr. Maclean: Well, what about it; are you putting it in?

Mr. Taylor: Yes.

Mr. Maclean: Well, you are not putting that letter in first?

Mr. Taylor: No, because there will be several letters later. Apparently this statement will be Exhibit 100—the tabulated statement.

Mr. Maclean: It is a statement of estimates.

(Statement marked "Exhibit 100.")

The Secretary: Mr. Maclean, this exhibit 98 is the contract, and not the general specifications. You had it down on the notes as the specifications.

Mr. Taylor: No, this is not the contract—this is a mistake. This is the document here. Now, this statement is Exhibit 100, and I am going to leave these letters just for a second.

Mr. Maclean: 98 is the specification. Are these the specifications?

Mr. Taylor: They are a substitute for Exhibit 6, which apparently has been lost in some way or other.

Mr. Maclean: For exhibit 6?

Mr. Taylor: Yes.

The Secretary: Mr. Bullock says he passed it round the table and it was not given back to him.

Mr. Maclean: Then, it is a copy of these specifications substituted for Exhibit 6.

Mr. Taylor: Yes. Mr. Callaghan says that that Exhibit 98, which you have in your hands, are the general specifications which governed the doing of the work. You see, they were revised March 1st, 1914.

Mr. Maclean: 6 was a revised specification?

Mr. Taylor: Yes.

Mr. Maclean: That is a revision of 4.

Mr. Taylor: Apparently 4 and 5.

Mr. Maclean: Was the original of Exhibit 6 produced by the Railway Department?

Mr. Taylor: No, it was produced from you people—by Mr. Tate. At least, that is the present supposition, that it is the substitution of 6, and we are not absolutely sure that it is the same.

The Secretary: Exhibit 6 was produced by Mr. Tate.

Mr. Taylor: Now, Mr. Callaghan, we were referring to this excavation and cribs. We will just let the letter stand for the moment. Whilst waiting for the letters I want to get this amount fixed. I want to get at the magnitude of this thing from this exhibit. I see here, in section 1, there was \$1,950 worth of excavation crib foundation. In section 2 there was \$67,287.60 worth. In section 3 there was \$87,225 worth; a total of \$156,462.60. And that is for crib foundations alone, and that does not include bridges? A.—But some of this is improperly estimated. At the very outside—

Q.—Well, I am not dealing with that now. I have no doubt of that. That does not include bridges or culverts, which are just below, but the excavation dirt is not in this Exhibit 100 segregated from the other cost. That is correct, isn't it? There is no segregation of the excavation for bridges and culverts? That shows on its face. Now, going back to the grading, "Excavation crib foundations," under the heading of grading that I have just read, amounting to \$156,462.60—what do you say out of that sum is a proper classification? A.—Yes.

Q.—About what proportion of that "\$156,462.60" would you now say would be the proper classification? A.—Oh, I don't think—

Q.—That is a classification of 32 cents? A.—Oh, I don't think, as far as I know at present—from what I know to be positive, you see—it would be probably just about \$6,000 worth of it.

Q.—\$6,000? A.—Yes, something like that.

Q.—Then there is something like \$150,000 of improper crib classification? A.—Something like that. There are some cribs there along the lake—

Q.—Mr. Chairman, I shall have to ask your attention for a moment. The witness says only \$6,000 of that was a proper classification, and there was \$150,462.60 of an improper classification given at \$3 a yard instead of at grading prices? A.—Yes.

Q.—Just mark that, will you, and send it back to me. Now, that is a big item, you see. As far as Mr. Oliver was concerned, when he got this matter told him there was only 29,000 yards wrong? A.—I had just got the information of section 3 at that time.

Mr. Maclean: Hasn't he claimed that half a dozen times, that he only knew of section 3 at that time, and did not know of the rest at that time?

Mr. Taylor: Mr. Maclean, I am not through with my question. As far as Mr. Oliver got, there was only 29,000 yards wrong, and when you discovered \$150,000 worth wrong, why didn't you write Mr. Oliver and bring it to his attention? A.—I rang up Mr. Gamble's office as soon as I was thoroughly satisfied that there was an error in it, and I told him about it.

Q.—When did you tell Mr. Gamble that? A.—Oh, it was possibly a couple of weeks after the Minister was in the office.

Q.—That would be about the end of February, 1917? A.—Something like that.

Q.—Did you tell Mr. Gamble you had discovered it was \$150,000? A.—Yes.

Q.—Wrong classification? A.—Yes, I did.

Q.—Have you corrected any certificates since that time? A.—No.

Q.—Issued to P. Welch? A.—I have not made any certificates.

Q.—Deducting this \$150,000? A.—No, I have not.

Q.—Why didn't you do that? I understood, whenever there was an error found, as you told us the other day, the next certificate following would contain the deduction? A.—Well, there have been no certificates since.

Q.—Oh, yes, there have been? A.—No, there has been no return made since that time.

Q.—Oh, yes; under the "Loan Act" there has been one made since February, 1917, hasn't there? A.—No, there has been none.

Mr. Tate: Not since the first of the year, Mr. Taylor.

Mr. Taylor: Well, I will see if you are right about that.

The Chairman: Over what period was this mistake, Mr. Callaghan? A.—It went on for a period from some time in June, 1914—June, 1914, rather, that is when it started. These wrong classifications started in June, 1914.

Q.—And kept up until Mr. Oliver found out? A.—Oh, no, no, not at all. It was some time in August, 1915—that was the last estimate; in fact, the work was finished there at that time, and that was the last one, but it has been in the estimate ever since.

Q.—It was not adjusted until Mr. Oliver found out about it? A.—Well, it is still in the same form.

Q.—How did he find out about it? A.—I don't know. He did not tell me about that. It was somebody he said who brought it to his attention.

Mr. Taylor: You are right, Mr. Callaghan. I see a letter of Mr. McIntyre's is in, the last of February, 1917, and it refers to the estimate in December, and that apparently is my error.

Mr. Maclean: We will let you off this time.

Mr. Taylor: However, you say you have not had an opportunity of deducting it from any subsequent certificate? A.—No.

Mr. Maclean: No. He made that clear. There have been none issued since.

Mr. Taylor: Mr. Callaghan, have you found any of those letters I referred to? Just a moment; I will read them over again so you can check them over.

Mr. Hanes: You state, I understand, that there was deducted a certain amount of yardage from P. Welch on that portion which you referred to? A.—Yes.

Q.—How much did you deduct, roughly? A.—24—50,000 yards.

Q.—Isn't it a fact that you allowed more loose rock and hard-pan than heavy rock, so that after the total figures were deducted there was very little difference? A.—No, sir.

Q.—I will ask you, Mr. Callaghan, to have the figures, as they were before, and as they were changed, produced.

Mr. Taylor: I don't want to leave this (referring to the previous subject-matter of the examination) before I get those letters in; we shall be getting the notes mixed up; at the same time, I don't want to wait too long for those letters.

Mr. Hanes: I am asking you one more question, Mr. Callaghan; did you state—you stated you put off a certain amount of yardage that you have here— A.—Here is the statement.

Q.—Mr. Callaghan, you said that you took off a certain amount of yardage? A.—Yes.

Q.—Did you say that there was no increase made in the loose rock, solid rock, or hard-pan at that time? A.—I don't think there was.

Q.—Which would almost or partly offset the amount of earth that was deducted? A.—I don't understand that there was—

Q.—I am asking you, if you know, if there was any of it or not? A.—I don't know.

Q.—As I stated? A.—I could not say whether there was or not; but my understanding is that we made the deduction of over 50,000 yards in the quantities that had been paid for.

Q.—But that is not an answer to my question; when I asked you if there was any hard-pan, loose rock, and solid rock to a considerable yardage added which partly offset that production, did you state you knew nothing about it? A.—No, I could not say; but that can be readily determined from the estimates on that particular portion.

Mr. Maclean: You might as well put in that statement, 101.

Mr. Taylor: Yes, I am going to read that. This is Exhibit 101, a statement, now produced of Mr. Callaghan's, dated March 16th, 1917, signed by him as Chief Engineer; and prepared for what purpose, Mr. Callaghan? A.—I sent a copy of it to Mr. Maclean.

Q.—That is, to your counsel? A.—Yes.

Q.—Is it a correct statement of fact? A.—As far as I know.

Q.—I will read it, Mr. Callaghan: "Memo. re estimates, etc., P.G.E. Railway. Regarding matters which will require consideration for adjustment when the final estimate is being compiled for rendering final certificate to the general contractor, I would mention the following which occur on the work between Squamish and Kelly Lake: Through some misadventure or misunderstanding of the specification, a quantity of material excavated in forming the foundations for retaining-cribs has been estimated as 'excavation in foundations,' along with a quantity of material excavated in forming the foundations of cribs constructed for the purpose of protecting the road-bed from streams, or for changing or deflecting the channels of streams. The first estimate upon which excavations, foundations, was given for excavations made for foundations for retaining-cribs, is June, 1914, McCall and Wilson, sub-contractors, 876 cubic yards. Additional quantities of this class of work was estimated in this way in the months of August, November, and December, 1914, and in January, February, June, July, and August, 1915, when a total of 51,504 cubic yards were returned for retaining-cribs, and cribs used for the protection of the road-bed from streams, or for changing or deflecting the channels of streams. Of the total mentioned, apparently 40,000 or 50,000 cubic yards have been returned in this way under the wrong classification.

"Between Lillooet and Clinton 30,863 cubic yards material removed from excavations made for foundations for trestle bridges has been returned as grading, while under a literal construction of the specifications it might be paid for as 'excavation in foundations.' A remeasurement and reclassification of Residences 21 and 22 resulted in the following quantities being deducted from the estimate after they had been paid for by the contractor:—

"Earth	2,840 cubic yards
Hard-pan	5,436 "
Loose rock	2,943 "
Solid rock	1,040 "
Solid rock overbreak	349 "
Overhaul	17,787 "

"On Residency No. 24—25, 598 subic yards of earth excavation, 25,800 cubic yards of solid rock excavation, and 11,938 cubic yards of solid rock overbreak is deducted from the estimate after these quantities had been paid for by the contractor. In the reclassification and remeasurement of this residency, 9,940 cubic yards of loose rock excavation were added to estimate on Residency No. 24. To sum the matter up, between Squamish and Kelly Lake the following is a fair representation of what may be—"

Mr. Maclean: May be?

Mr. Taylor: "May be overpayments and underpayments to the contractors, and would require adjustments before the final estimate is rendered to the general contractor for this section of the work:—

"Material improperly estimated as excavation in foundation, taking outside figures, approximately 50,000 cubic yards, at \$3		\$150,000 00
Less payments due if properly classified, approximately.....		30,000 00
		<hr/> \$120,000 00
Less payment due for material excavated from foundations for trestle bridges, 31,154 cubic yards at \$3, \$93,462, less \$23,457.91 already paid		70,004 09
		<hr/> \$49,995 91
Less contract price for material deducted from estimate on Residencies Nos. 21, 22, and 24 after contractors had paid for same.		
Residency No. 24—Earth, 25,598 cubic yards at 32 cents		\$ 8,180 26
Solid rock overbreak, 11,938 cubic yards at \$1.25		14,922 50
Solid rock, 25,800 cubic yards at \$1.45.....		37,410 00
		<hr/> \$60,512 76
Deduct loose rock added by reclassification, 9,940 cubic yards at 55 cents		5,467 00
		<hr/> \$55,045 76
(Forward that sum.)		
Residency Nos. 21 and 22, quantities deducted from esti- mate after they had been paid for by the contractor—		
Earth		\$ 898 80
Hard-pan, 5,436 cubic yards at 50 cents		2,718 00
Loose rock, 2,943 cubic yards at 55 cents		1,618 65
Solid rock, 1,040 cubic yards at \$1.45		1,508 00
Solid rock overbreak, 349 cubic yards at \$1.25		435 25
Overhaul, 17,787 cubic yards at 2 cents		355 74
		<hr/> 7,534 44
		<hr/> \$62,580 20
Less amount as overpayment remaining on excavation in foundation		49,995 91
		<hr/> \$12,584 29

Balance in favour of contractor, \$12,584.29.

"I will also say that between Squamish and Kelly Lake 98,387 cubic yards of solid rock excavation overbreak has been withheld from the contractor's estimate and not paid for; this item at \$1.25 per cubic yard, if allowed, would require a payment of \$122,983.75.

"Also on Residency No. 19—Loose rock, 859 cubic yards at 55 cents....\$ 472 45
And solid rock, 396 cubic yards at \$1.45 574 20

Total\$1,046 65

"Making a total amount for these latter items which, if paid for, would amount to \$124,030.40. I am not saying that this should be allowed, but mention it to show that if it had been allowed no serious objection could be raised about it, and also as indicating the insinuation and reports which have been made charging overclassification, etc., is not justified by the facts.

"From a point about two miles north of Clinton to Fort George most of the material which required to be excavated in forming the road-bed was inherently of a very difficult nature, being largely composed of indurated clays, boulders in masses, with cemented materials intermixed.

and indurated clay and hard-pan with boulders intermixed; these conditions or the additional difficulties due to the severe winter frosts which prevailed during the time in which much of this grading was performed made it necessary that special consideration be given in the matter of classification, which has been allowed in estimating much of the work from the vicinity of Clinton to Fort George. To do justice to the various contractors and stationmen who carried out this work necessitated allowing them a percentage of solid rock, which is the common practice to allow under similar conditions on all railways with which I have been connected, although making this allowance of solid rock requires varying from a literal construction of the specifications. In the case of this Company's work now under consideration, I believe an investigation by eminent engineers, practical and experienced in estimating similar material on railway-construction in the mountain regions of the Pacific Slope, will confirm me in the statement that, all things considered, any variation from a literal construction of the specifications has been done intelligently and with moderation.

"Chief Engineer's office, March 16th, 1917. Signed, Jno. Callaghan, Chief Engineer."

Now, that is prepared, as you say, for your counsel as a brief, showing how you could have discharged this error of \$120,000, or \$150,000, which, you say, is the value of wrongly classified stuff, which you fixed as an error of \$120,000. You wished to show how you could have squared that if you had wanted to, although you don't want us to believe that you would have done it. Do you think that a fair way to explain an error that you have made? A.—No; I think that the way to answer the error is to correct it.

Q.—Yes. A.—Certainly.

Q.—And not to put up an argument like this? We will take one of these things at a time. Welch had excavated these foundations for trestle bridges, 31,154 cubic yards, classified as grading; as a matter of fact, he paid for them at grading prices to the stationmen and to the sub-contractors? A.—Yes; but I could not help that; that was his contract.

Q.—Don't say that you could not help it; I am instructed that your letters directed these divisional engineers to show in their estimates that work as grading. A.—I have got a letter right here now—

Q.—We will come to these letters all at once. The next thing is overbreak. You say here that you could have given \$122,983 more on overbreak. As a matter of fact, overbreak usually runs about 20 per cent., doesn't it, in railroad contracting, of the rock removed within the proper slopes; that is a good liberal estimate for overbreak, isn't it? A.—On some work it would run that way; but I guess you will remember a case you had yourself where it was 60 per cent., and they were suing the Company for more; you were in that, you remember the case.

Q.—I don't remember the details of all the cases I have handled. A.—And these parties were allowed more even by the Appeal Court.

Q.—You are mistaken there. You are referring to Lucich? A.—Yes.

Q.—What was allowed by the Appeal Court was because you changed the grade of the base, the bottom of the grade; you made them go back and take out a foot or so extra, and the Appeal Court allowed them for it, and nothing else, \$1,100—not for overbreaks. Don't let us get into other cases. I am asking you something else—and the Appeal Court disallowed them the overbreak of 60 per cent.—the case you are referring to was Lucich. Just the opposite of what your statement was when you made it. Isn't it a fact (you can give evidence, too, as an expert railway engineer) that it is a liberal thing to say in railroad contracting that an allowance of 20 per cent. upon the amount actually taken out within the proper slope is a good and liberal allowance for overbreak? A.—That would be all right in some cases; it all depends on the way the stratas of the rock lays.

Q.—I am saying on the whole construction of a road in British Columbia, isn't it a liberal allowance on the construction of a road across British Columbia?

The Chairman: That is, on an average.

Mr. Taylor: Yes, 20 per cent., yes.

Witness: I presume 25 per cent., or something like that.

Q.—Very well; isn't it a fact that on this road, when you have checked overbreak, and found that you had to do something to stop overbreak, by reason of something that was contained in this contract that was made with Welch, you found that your overbreak was running 80 per cent. to the rock which had been taken out between the slopes? A.—In some cases; the average allowed between Squamish and Kelly Lake is 20 per cent.

Q.—No, I mean it was running on an average? A.—No, nothing near that for overbreak.

Q.—Wasn't it running on an average between 60 and 80 per cent. overbreak? I will put it that way. A.—No, it didn't. In some places it was for a short distance, but that was due to the way the rock way lying.

Q.—And you had to check the overbreak, didn't you? A.—Yes, I took the very strongest measures to stop it.

Q.—Didn't you revise your specifications or something? A.—Yes, we revised the specifications.

Q.—It is contained in this contract? A.—We discouraged it as much as we could.

Q.—Yes, revised the specifications. And the whole revised specification was made for the purposes of checking overbreak, wasn't it? A.—Yes, that was one thing; there were some other things also.

Q.—Now, why do you in this Exhibit 101 sent to your counsel, answering this charge, of the \$120,000 error—why do you pretend to want to include this overbreak in addition to the liberal amounts already allowed for overbreak? A.—There is no liberal amounts.

Mr. Hanes: You have already allowed 100 per cent. in cases, have you not, of overbreak? A.—I would not be surprised what there would be for some particular overbreaks, where the rock was lying in such shape that it slips down into the excavation after it is shot.

Q.—For instance, on Seton Lake, you might have 8,000 yards of excavation and 12,000 yards of overbreak; would that be possible? A.—I don't know of any case like that.

Mr. Maclean: Is overbreak where they are excavating on a mountain-side, or something like that, and it just falls down from above into your cutting? A.—Yes.

Mr. Taylor: Overbreak is always shown in the cross-sections. A.—If the rock lies in that shape, and the road-bed is excavated in here (demonstrating to Mr. Maclean), and it takes away the support that is lying in strata in that form, this thing is liable to slip down in there; that is unavoidable, and it has to be paid for.

Q.—For Mr. Maclean's benefit, and I think the witness will agree with me, I might say that it is not all that slides down the mountain that is allowed, you know; there may be a great amount, three times the amount slide down a mountain that is taken out, or ten times the amount, but the engineer only allows a certain percentage; we are talking about the engineer's allowance for overbreak, proper allowances, not about all that comes down the mountain. A.—Certainly, he would have to be allowed if he used reasonable care in his blasting operations.

Q.—The cross-sections always show the amount of overbreak that is allowed, do they not? A.—Yes; and all that we do not allow——

Q.—And also overbreak that you do not allow? A.—That we do not allow.

Q.—Whatever is within your regular lines of your cross-section, as shown on the cross-section, that is the amount of the overbreak that you allow? A.—Yes.

Q.—And if there is more overbreak than that which is allowed, the cross-sections will show it, won't they? A.—The cross-sections will show the regular excavations as laid down on the slope of $1\frac{1}{4}$ to 1; $\frac{1}{4}$ horizontal——

The Secretary: For rock.

Witness: Yes; made out 1 foot horizontal for 4 feet vertical.

Mr. Taylor: What is the slope that you specified for this particular railway; in earth a certain slope is allowed off the perpendicular, and in loose rock a certain slope is allowed, and in solid rock a certain slope; now, what do you allow? A.—It is left to the judgment of the engineer whether it may be 1 to 1, or 2 to 1, whatever it is.

Q.—Is it not specified in the Canadian Northern specifications through this country that a certain definite slope is allowed? A.—For solid rock it may be; but I don't think for loose rock.

Q.—Not loose rock, or earth? A.—No, I don't think so.

Q.—Or clay? A.—It would not be practicable to do that because in some places the slope would stand steeper than others, according to the material.

Q.—The overbreak is that which goes beyond the authorized slope-line? A.—Yes

Mr. Taylor: Have all those letters turned up yet?

Mr. Maclean: Have you finished with that point?

Mr. Taylor: I want to get the letters in.

Mr. Maclean: Yes, I know. It was for my information you gave me this, showing what an independent man would be prepared to do to correct this error, and he would allow for all errors there, and instead of it being against the contractor it might be in his favour? A.—Yes. They would consider all these things that are mentioned there. (Referring to Exhibit 101.) They would consider everything. They would consider what was adverse to the contractor as well as what was favourable.

Q.—They would consider both those positions if they wanted to do justice? A.—Yes, it might be in his favour.

Q.—Of course, that is what we are after. A.—He would take out everything that was wrong, of course, and make the other allowances.

Q.—Of course, he would not look through everything, as with a microscope, and check everything.

Mr. Taylor: \$120,000 would not take much of a microscope to see.

Mr. Hanes: Mr. Callaghan, I will ask you some questions now; just three or four questions. There is still about 150,000 yards of excavation in foundations, for foundations, at \$3 a yard that has not been discussed here, is there not? A.—There is what?

Q.—It has been stated here that there were 150,000 yards of excavating in foundations, paid for at \$3 a yard, which we have not been discussing yet? A.—50,000, do you mean?—that we have not been discussing on excavation in foundation?

Q.—Yes. A.—I don't remember what it would be.

Q.—In other words, I will ask it you in this way: Is there not about 190,000 yards of it charged to the contractor at \$3 a yard? A.—The estimate would show that, what it is.

Q.—And we have been discussing 50,000 yards of that, approximately? A.—50,000 in these retaining-cribs, yes.

Q.—That leaves a balance of about 150,000 yards at \$3 a yard, for which the contractors have been paid \$450,000? A.—What about it?

Mr. Maclean: What is the question?

Mr. Hanes: I will ask Mr. Callaghan the question again—

Witness: He has full power under the specification, because that is a contract between the contractor and the Company.

Q.—Well, I am asking Mr. Callaghan, then, this: If there is 150,000 yards at \$3 a yard, that would amount to \$450,000, roughly? A.—If it is improperly allowed.

Mr. Maclean: 150,000 yards at \$3 a yard, that it is improperly allowed; is that the question?

Mr. Hanes: No, I am asking him if it has not been paid. A.—At \$3 per yard.

Mr. Hanes: It would be about \$450,000? A.—Sure.

Q.—Isn't it a fact that the price, taking the average that is given for this—isn't it a fact that the average price for this excavating, including earth, and hard-pan, loose rock, and heavy rock, would average from 60 to 75 cents a yard, what is paid, the actual cost, what is paid to the stationmen or the sub-contractors? A.—Possibly.

Q.—That would be, at 60 cents a yard, it would cost \$90,000, then, to take it out? A.—Possibly.

Q.—Against the amount that has been mentioned, \$450,000? A.—That is not for me to say.

Q.—Well, I am just asking you, if that is not what it would cost, if that is not the fact.

Mr. Maclean: I just don't understand Mr. Hanes's question; what is Mr. Hanes driving at?

Witness: Well, he thinks that we should not have allowed him what he was entitled to under the contract; that is what he is claiming.

Mr. Hanes: I am asking you if those facts and figures are approximately correct? A.—The estimate would be about there, somewhere.

Mr. Taylor: Mr. Callaghan, we were dealing with these crib excavations, and I have two letters I want to read. Will you produce a letter 19th May, 1913?

Mr. Maclean: That is Exhibit 102, is it? A.—No, unless you want it; I will read it.

Mr. Maclean: What are you going to produce now?

Mr. Taylor: This is a letter to Mr. Merriam, May 9th, 1913. Mr. Merriam, Divisional Engineer, Lillooet. "DEAR SIR,—I note on the estimates turned in by Residency No. 22 the yardage, excavations in foundations, has been divided between loose rock and solid rock. This

is unnecessary, and I would be glad if in future you would have such excavations shown as one quantity.—Yours truly, Chief Eng.”

Q.—Why is that, Mr. Callaghan? A.—That would be proper if it was excavation in foundation. Of course, if they had something else that didn't belong in excavation in foundation, why it would not be allowed.

Q.—Why would you classify loose rock and solid rock as one quantity? A.—Because the sub-contractor required it to be classified in that way for the settlement. That is the reason.

Q.—Well, you say loose rock is allowed for at 50 cents and solid rock \$1.45? A.—Yes.

Q.—That is almost three times as much? A.—P. Welch let his excavation in foundation on the classification basis, as I understand, to the sub-contractors, and requested that classification be made of it, and it was done in that way, so that settlement could be made; that would be the reason, when it was estimated.

Q.—It may be my fault, but I cannot see why you would want those two quantities turned in to you as one quantity. A.—That is the reason.

Q.—You would certainly have to know at your head office, when you settled with P. Welch, how much was loose rock and how much was heavy rock, and still you went and turned it in as one quantity? A.—There would be some letters which show something else; that letter may have been written before we got the request to classify it. That letter may have been written before we got the request to classify this excavation in foundation for the sub-contractors, so that settlement could be made there.

Q.—Do you say, Mr. Callaghan, that you were not bound to protect yourself; you had to depend on the data you got from your engineers in the field? Now, they sent in simply one quantity; how could you then settle with Welch except on a solid rock basis, which would be two or three times the amount? A.—If it was excavation in foundation, there was a flat price for it; that didn't need to be classified, because if it was we would simply have to consolidate it. It refers to the settlement with the sub-contractor; that is the reason it was classified.

Q.—The next letter is February 3rd, 1915, which I will also read into the notes; sent by Mr. Callaghan to C. R. Crysdale. It reads as follows: “February 3rd, 1915. Mr. C. R. Crysdale, Divisional Engineer, Lillooet, B.C. DEAR SIR,—Regarding the estimate on excavation in foundations for sub-contractors, you will notice from section 43 of the specifications that all the conditions of section 26 apply to excavations in foundations; and section 26 shows that there (is) has to be several classes of material which will be paid for according to the contract prices for the several classes; and in the case of bridge excavation, or any other similar excavation, for which the work is being done on a classification basis, the prices of the various classifications will be found in the work just the same; that is, including grading the road-bed, earth, hard-pan, loose rock, solid rock, and excavations beyond the base and slope as specified.—Yours truly, J. CALLAGHAN.” A.—Yes.

Q.—There is a letter, the opposite of what I last read. A.—If it was being done on a classification basis, that is the way the contractors were doing it.”

Mr. Hanes: I will ask you a few questions; did you not state, with reference to this 150,000 yards, that you were paying for them at \$3 a yard, and you said that was without getting bids, and other things? A.—Yes.

Q.—I will ask you again, in that letter—don't you state in that letter that you are going to pay \$3 a yard for the various classifications instead of \$3 a yard for the heavy rock? A.—You will find a letter before this, and you will then see why it was written that way. It must be a letter written to me asking me as to this feature of it, when he was classifying excavation in foundation which he had to do to enable the sub-contractor to get settlement; he had to do it; he asked me if there would be overbreak and the various other things; if that occurred, I told him certainly that there was, if he was classifying it, it would be estimated on the classification basis. If you get the specifications and look at section 43, you will find that is in connection with excavation in foundation.

Mr. Taylor: I find that I have the original of the letter that I read; Mr. Callaghan gave it to me, and I can file it. That will be Exhibit 102; that is the letter of 3rd February, 1915.

Witness: Regarding the estimated excavation in foundation for the sub-contractors, that is what had to be done, because that way they had their contract on the basis of the classification.

The Secretary: Do you consider it the usual railway engineering practice to make one classification with a sub-contractor and another for the main contractor? A.—If the sub-

contractor has his estimate for his contract on a different basis to what the general contractor has, he has to make a settlement with him, which has to be done. P. Welch had this contract, and he had a flat price, but he let it out to his sub-contractors at a classification rate, earth, loose rock, solid rock, hard-pan, whatever it had to be; and, of course, he could make a settlement with them on the classification basis.

The Chairman: How do you mean, P. Welch had a flat rate?

Witness: He had a flat price; it didn't make any difference what the material was, in the excavation in foundation, it was a flat price; "excavation in foundation" was a flat price; it didn't make any difference whether it was earth, solid rock, or anything; it was the same price to P. Welch. But he let this work to the sub-contractor for that kind of thing; he made earth, loose rock, solid rock, and hard-pan to each man, so that they could effect a settlement with P. Welch.

Mr. Hall: Why was the contract changed in the intervals of those two letters; I take it they are absolutely opposite—those two letters which were read. Why was that change made? A.—Some excavations in foundations came in to the office, I presume, on the estimate, classified excavations in foundations. Then, of course, if it was excavation, properly "excavation in foundation," you see, we would get, that would apply to P. Welch's estimate. We didn't get the sub-contractor's estimates in that form. We got P. Welch's—

Mr. Hall: I do not think you quite understand my question; what I want to know is, when these directly opposite instructions were given in connection with those two letters, what took place between them to cause the contradiction? A.—Well, the only explanation that I can give for that letter is that some excavation in foundation—

Q.—It is the contradiction between them that I would like to know about.

Mr. Maclean: Well, go on.

Witness: The first one saying that he didn't need to classify, that may have been also—that letter might have been written before the arrangement for classifying with the sub-contractor had been asked of him.

Mr. Hall: You are just guessing now, then, as to what happened? A.—Yes; I don't know—I would have to refer to the date of that letter and to the dates of the other letters to see how this thing came about; but I know that if the material was properly excavation in foundation, that there would not be any classification, or it would be put under the heading regardless of what it is.

Q.—The point I am asking you about now is whether you can give me any explanation of it? A.—That is the only explanation; the only explanation I see is that the date was wrong; supposing that this material was properly excavation in foundation, it could not be classified.

Mr. Maclean: One is for the contractor and the other is for the sub-contractor? A.—For the sub-contractor it has to be classified.

Mr. Hall: That is not the explanation that I want; I quite understand that; these letters were to the divisional engineers and resident engineers, with instructions; isn't that so, Mr. Taylor, you have them there?

Mr. Taylor: J. C. signed both of them, yes.

Mr. Maclean: But that doesn't settle anything; they were using his name in the office right along.

Witness: Very often, any letter that needed to be sent out.

Mr. Maclean: Have you got that letter to which this is a reply? A.—The matter is plain enough to me, that the material came in there, and estimated under the classification, and also under the heading of excavation in foundation, and the first thing they would do in the office, whoever was compiling the estimates, sent out a letter that he need not do that.

Mr. Taylor: September 16th, 1913—that goes back. We will take another letter—

Mr. Maclean: That is a letter from whom—3rd February, 1915?

Mr. Taylor: J. Calaghan to Mr. Crysdale. Now I will have to read one into the notes. September 16th, 1913; that is some time before, you will see. Dictated by "H"; signed "Chief Engineer," but dictated by "H." "Mr. H. M. Merriam, Divisional Engineer. Mr. C. R. Crysdale, Assistant Engineer, Cheakamus. DEAR SIR.—Further to my letter of July 26th in regard to advising Mr. Welch's office of the classification of material excavated in foundations. Will you please in future forward me each month, together with the estimates, a statement showing quantities and classifications of all excavation in foundation. This will not be shown on the

estimate, but will be made out on a separate sheet. You will require, of course, the items of such quantities, showing the stationing"—just written in pencil—"and sub-contractors' names"—continuing in type—"at the various points of work. I should also be glad if you could, if possible, let me have a similar statement covering all the material which has already been excavated from the foundations.—Yours truly, Chief Engineer." Dictated by "H."

Mr. Maclean: That is the same thing.

Witness: That is for the sub-contractors' settlement.

Mr. Taylor: That is September 15th, 1913. There is another letter following it in order of date which I will read—October 14th, 1914—and I will read it into the notes. The Chief Engineer—he does not appear to have dictated it—to C. R. Crysedale, Divisional Engineer, Cheakamus, B.C., October 14th, 1914. "DEAR SIR,—Referring to September estimates for Residency No. 12, please note I have transferred the items, loose rock 145 cubic yards, and solid rock 822 cubic yards appearing in excavation-work in foundations, to loose rock and heavy rock, grading quantities respectively, making totals of the latter as follows:—

"Loose rock, this total	76,785
Last total	59,287
Estimate	17,498
Solid rock (that is, this total)	97,234
Last total	87,100
Estimate	10,134

"According to our grading specification, excavation in foundation-pits for log retaining-cribs, other than those used for changing or deflecting the channels of streams, would be included with ordinary grading items." That is the error we are dealing with. A.—That is the way I wanted to have them do it.

Mr. Maclean: What is that—October 14th, 1914?

Mr. Taylor: Yes. This letter shows exactly what you intended with regard to that \$120,000 error? A.—Yes; that is it exactly.

Q.—The next letter is August 22nd, 1915; Exhibit 103; 22nd August, 1915—hard to say whether this is 1915 or 1914; I think it is 1915; I will have you see it after.

Mr. Maclean: 1915 or 1914, query.

Mr. Taylor: It is apparently the chief engineer's letter, but it has not "Chief Eng." on the bottom.

Mr. Maclean: Why is it "apparently"?

Mr. Taylor: It is produced from his file. "Mr. H. M. Merriam, Divisional Engineer, Lillooet, B.C. DEAR SIR,—Martin Welch was in here this morning explaining the way you are estimating the excavation, which he does for foundations, for log retaining-cribs, stating that you stake these out with a vertical, or probably $\frac{1}{4}$ to 1 slope, and then when you estimate the work after he has completed the excavation for the portion that comes within his limits of the $\frac{1}{4}$ to 1 slope, or vertical slope, or whatever it has been staked from, is estimated to him as material in foundations, and classified, while for the portion of the excavation that comes from beyond the theoretical slope, from which it was staked, you estimate as common excavation—"earth. You see that applies to the log retaining-cribs; that is, this case. Continuing: "I could not quite understand what Martin Welch was driving at, and I am not quite certain yet that he is correct in his contention, as it does not seem likely you would not know how to estimate this class of excavation, in view of the specifications which you have covering this kind of work. If you will read over these specifications, you would see that material excavated for foundations for retaining-cribs is included in the same class of work as if the excavation was done for the ordinary section of the road-bed."

Mr. Maclean: Exactly.

Mr. Taylor: Continuing: "The specifications are plain enough in this respect, as they show that the only class of crib-work for which the excavation would be estimated as material taken from foundations would be cribs used for changing or diverting channels or streams. Yours truly." That is your contention?

Mr. Maclean: Emphasizes one feature again. There are two other letters that should go in.

Mr. Maclean: What exhibits are those?

Mr. Taylor: That is 104 and 105; 104 is September 2nd, 1915.

Mr. Maclean: Yes; whose is it?

Mr. Taylor: R. D. Thomas to John Callaghan, Engineer. "Thank you for the information contained in your letter of the 31st ult. in regard to classification of Residencies 23 and 24. I have gone very fully into all the details that enter into the July estimate, and I think I have satisfied Mr. Gamble that the figures are correct. He showed me a memo. of the 9th, a carbon copy, of the last voucher in favour of Mr. Welch that I had to go to very great length in explaining. For your information, I beg to advise that we do not deduct the 10 per cent. from each item, but from the value of the work as a whole. There were no figures in the estimate exactly corresponding with those in the memo., and because my statement did not show separately \$10,203.39, reclassification, and \$34,560.52 for overhaul of bridge material as shown on your memo., plus the percentage, he could not be satisfied. He also told me that you assured him there was no such amount chargeable to excavation on section 2 as appeared in my statement, and that made it harder to explain to him. Mr. Gamble always argued that so much work was not done during the month the returns cover, instead of accepting, as the estimate shows so clearly, that the value of the work returned for the month is the difference between the total value of work done and the value of work previously estimated and paid for."

Mr. Maclean: That is, the Railway Company deducted 10 per cent. from these prices, estimates? A.—They are supposed to hold back 10 per cent. until the work is finished.

Mr. Taylor: Exhibit No. 105 is September 7th, Callaghan to Thomas; September 7th, 1915. "Replying to yours of the 2nd *re* estimate on section 2, I have no recollection of giving Mr. Gamble any assurances such as you have mentioned. I simply gave him facts in regard to the matter in the form of a copy of our estimate sheet as rendered to you, something which you probably could have given him yourself, and thus have made the matter clearer to him.—Yours truly, J. C. S."

Mr. Hanes: Mr. Callaghan, you stated in that letter that you wrote to Mr. Merriam, that if that letter had been followed that error would never occur; I understood you to say that? A.—Yes.

Q.—When you received that—when you had that discussion with Mr. Merriam, did you have those estimates changed so that it would be classified properly? A.—I wrote him that letter; that is all I did about it.

Q.—Is it not a fact that he had the estimates changed? A.—I do not think so; the estimates will show; but I do not think he had put any of them under excavation in foundation at the time he wrote that letter; in fact, it was Crysdale that came along later, I believe, and put it in as excavation in foundation.

Q.—Now, I may not have made myself clear; you stated that if that letter had been followed to Mr. Merriam, that this error would not have occurred? A.—Yes; if the specifications in any direction that I ever gave had been followed, there would not have been any such error in the estimate at all.

Mr. Taylor: Did the error occur in the regime of Mr. Merriam or Mr. Crysdale? A.—I believe it was Mr. Crysdale.

Mr. Hanes: Then, you had this correspondence with Mr. Merriam over this matter, did you not? A.—Yes.

Q.—Then, isn't it a fact that the estimates were changed so that this deduction would be made, this proper deduction at that time—I am asking you now of your knowledge? A.—Is don't know that there was any excavation in foundation. There may have been excavation; I believe there was, right at that particular time that that letter was written, yes, there was.

Q.—There was excavation for the crib foundations, properly classified at the very time when that letter was written, on section 1, I think, at least? A.—On section 1, which I have discovered by looking back over the estimates.

Q.—Were there not some of the estimates in which the figures are changed, or rubbed out and changed? A.—Well, no; that would be something new to me if they have been rubbed out in the estimate.

Mr. Maclean: Are you asking whether anything has been rubbed out or changed?

Mr. Hanes: I am asking him—

Witness: It certainly was not at my instigation.

Mr. Hanes: I will ask you again, are those figures not partly changed to correspond with your books on the matter at that time, by Mr. Merriam in that office? A.—That I would not really know.

Mr. Maclean: Wait a moment, Mr. Hanes; have you anything to base that statement on?

Mr. Hanes: Oh, yes.

Mr. Maclean: Would you produce it to us?

Mr. Hanes: I am asking these questions.

Mr. Maclean: It might as well be cleared up while we are at it.

Mr. Hanes: Just what I am going to do; I am just asking a few simple and easy questions, and I do not wish to be interrupted in this examination, I will try and find out myself.

Mr. Maclean: We want to get it as we go along; if there is anything like that, bring it out at any time and have it investigated.

Mr. Hanes: Are you finished?

Mr. Maclean: I have finished, yes.

Mr. Hanes: I was asking you, Mr. Callaghan, if you know that the figures were changed on the estimates at that time to correspond with your ideas? A.—No; I don't know that there were any figures changed, no.

Q.—Well, do you know, then, that these figures were changed back again when you found that that payment would interfere with Mr. Welch's estimate? A.—No.

Q.—To that extent? A.—No, sir; there was nothing whatever of that kind done at my suggestion, or knowledge either.

Mr. Hall: When was your attention first drawn to this error, Mr. Callaghan? A.—When Mr. McIntyre came into the office and told me that—this was last February—I hadn't known this condition existed in the estimates.

The Chairman: Do you think that condition could have happened on the Grand Trunk Pacific? A.—I suppose it might happen on any road.

Q.—Could it have happened, and got by a Government engineer, or anybody else, the system they had on the Grand Trunk Pacific? A.—I don't think it could, because they kept engineers, resident engineers, out on the work.

Q.—The Government kept up an inspection of the work? A.—Yes.

Mr. Hall: If they had had a resident engineer out on the work here, it is improbable that anything like that could have happened?

The Secretary: I don't understand how it got past the resident engineers.

Witness: I don't understand, either, why Mr. Crysdale put it in that way; it was certainly never at any suggestion of mine, and I was very far away from thinking anything like that being done. It would very easily have passed me, because it was the last thing that I was expecting to see; I was not expecting to see it. It is something so plain when once a person's attention is drawn to it; and with the place where this was done, they would know that it was impossible, because that condition would not exist there. The thing is so plain when your attention is drawn to it. And when the estimate is referred to the place where it is alleged to be done, it becomes quite plain that it could not be done.

The Chairman: If you had been looking out for it, it could have been guarded against? A.—Well, they could, certainly; if they made mistakes, any man would naturally go over it very carefully and refer it to the place where the work was alleged to be done, and he would see whether it was possible.

Mr. Maclean: They would be checked up before the final estimate was given? A.—They would be checked up; this thing would come in before the final estimates in the matter.

Mr. Taylor: That seems to me an important matter that Mr. Hanes was dealing with. In the first place, we have not got the estimates that came out of your office files, while we have those from the Department of Railways; but we have not the estimates from your office or Mr. Tate's office. A.—They are all here.

Q.—I will ask for the production of all of them. I want those from Callaghan's office first. What month is that Martin Welch letter; where he says he could not understand what Martin Welch was driving at?

Mr. Maclean: That will be 103, then, I suppose?

Mr. Taylor: Do you produce the estimates from your office where the details are shown on the estimates; we want all the list produced, the whole works?

Mr. Maclean: Yes; here is another one we want.

Witness (referring to document produced by Mr. Maclean): And my reply to it.

Mr. Maclean: That will be Exhibit 106.

Mr. Taylor: You want the whole thing filed, do you?

Mr. Maclean: Yes.

Mr. Taylor: Exhibit 106 will be C. R. Crysdale to J. Callaghan, dated December 24th, 1915. "Vancouver, December 24th, 1915. Chief Engineer, Vancouver, B.C. DEAR SIR,—Further to letter of 22nd inst. *re* December estimates, you will note on bridging estimate, Residency 12, a minus estimate, piling, on delivery; this occurs by reason of 4,315 L.F. piling transferred from the Lillooet River Bridge to the Fraser River Bridge. On Residency 19, grading, you will note an estimate, 5,723 cubic yards of solid rock, in favour of P. Welch. This covers rock borrow, taken out by S. Lappano & Co., for which I note Mr. Merriam gave an estimate, but it, until now, had only been covered by crib-fill and riprap on the Fraser River Bridge estimate. Inasmuch as this material had to be taken out in skips, and practically hand-laid in the piers, it would seem to me that it should be estimated as so much excavation in addition to crib-fill or riprap. I understand that part of this borrow-pit was used to widen the embankment at the station-site at Lillooet.—Yours truly, CRYSDALE, Divisional Engineer." Do you want me to file the next one, I suppose?

Mr. Maclean: Read the reply to it.

Mr. Taylor: Exhibit 107, that is.

Mr. Maclean: I thought you put them all in together.

Mr. Taylor: I am reading them in their order. Exhibit 107. "January 6th, 1916. Mr. Crysdale, Divisional Engineer, Lillooet, B.C. DEAR SIR,—Referring to your letter of December 24th *re* estimate for that month, has the expense for hauling piling from the Lillooet River Bridge to the Fraser River Bridge been estimated? With respect to Residency No. 19 and the estimate that should be given for work in connection with riprap and crib-filling at the Fraser River Bridge, will say that any that was used for that purpose would only be paid for once under the head in which it was used. The specifications do not say anything about paying for it twice in case it should happen to be necessary to be handled by a skip or any other means that was needed to get it to the place required. If any rock excavation was used in widening the embankment at the station-grounds, it should be removed and your cross-section notes should show where it was placed. It would have been just as well if you had taken this matter up with me in the office and saved this correspondence. Simply estimate that work according to specifications, and I am satisfied you understand how to do it that way. Yours truly." And 108 is the next one. Lillooet, January 17th, 1916; Crysdale to Callaghan. "John Callaghan, Esq., Chief Eng., Vancouver. DEAR SIR,—In reply to your letter of the 6th inst., would state that the expense of hauling piles from Lillooet River Bridge to Fraser River Bridge has been estimated as 'overhaul on construction material, over four miles' beyond end of steel, which was then at head house, Seton Lake.—Yours truly, C. R. CRYSDALE, Divisional Engineer."

Q.—Mr. Callaghan, just for the information of the Committee; these appear to be signed by the divisional engineer and the resident engineer. Did you make up a new one in your office; you made up one which you sent to the Government, of course, which is new; did you make up one for your own files? A.—No, I think that is the only one; we have everything filed. There is another form of sub-contractor's estimate also.

Q.—Will you explain that? A.—A form for the sub-contractors' estimates.

Q.—You have a lot of estimates? A.—Yes.

Q.—We can return to that matter to-morrow morning, after it has been looked into.

The Chairman: Do you want those exhibits in before we close?

Mr. Taylor: I will try and finish with Mr. Callaghan before the end of to-morrow morning's session, if I can.

Mr. Maclean: I suppose you can glance over those now, and see which you want out, before we adjourn. (Referring to estimates.)

Mr. Taylor: I am asking Mr. Hanes to do so.

Q.—Now, these sub-contractors' estimates, that is what you call them, would be Exhibit what—

The Secretary: 109.

Mr. Taylor: What is the meaning of sub-contractors' estimates; how do you get to make those out; what are they made out for? A.—They are made up for the sub-contractors' settlements, for the general contractor.

Q.—Why not send him the duplicate of the other estimate signed by your divisional engineer and your resident engineer? A.—Well, these will be signed by the divisional engineer also; he makes them up also; the divisional engineer makes them up.

Q.—The ones that I have here do not seem to be signed by any person; some of them are, some not.

Mr. Maclean: Now, are those the estimates in which there was some sort of a suggestion, that there were some figures rubbed out?

Mr. Taylor: Mr. Hanes made some remark along that line, and Mr. Hanes will no doubt, in fairness to Mr. Callaghan, look after that matter, and possibly take the matter up with Mr. Callaghan to-morrow morning. Some are signed and some are not; a few are—I might say, rather, or some.

Witness: I don't think any of them have been signed by me.

Mr. Taylor: No, I don't think so. Some are signed simply by the divisional engineer, and some both by the divisional engineer and the resident engineer; and some not at all. How do you explain that? A.—It would look as if they turned them in without signing them; that is the way that happened.

Q.—Not signed, sent in to the office? A.—Maybe the man did not require him to sign them.

The Secretary: Were they not required to be signed? A.—I wanted them to sign all; but in some cases, where the copy was left, they didn't get him to sign it.

Mr. Taylor: When you made up the estimates for the sub-contractors, if Welch were paying for excavations in foundations for trestles and bridges on a grading price, then you would show the quantities for Welch's information on those particular estimates? A.—Yes; that would be in the general classifications.

Q.—In the classifications? A.—Yes.

Q.—And that will be one reason why you need a different estimate from the sub-contractor than the one you need? A.—Yes.

Q.—The same as you have already explained? A.—Yes.

Mr. Hanes: Before we adjourn, I will ask Mr. Callaghan to look over these estimates and refer to the estimates at this particular time, and look up the matter I have referred to; I do not wish to do it myself, and I will ask Mr. Callaghan.

Witness: Look up the matter of what?

Mr. Hanes: Look over the estimates that were in your office at this particular time when you wrote the letter to Mr. Merriam, and look up the questions I referred to regarding the change.

Witness: That was in August, 1914; August 22nd, 1914.

Mr. Maclean: You said you were not sure, 1914 or 1915; might make sure of that.

Witness: It would be August 22nd, 1914, apparently.

Mr. Taylor: August, 1914.

Mr. Maclean: That is, August, 1914, and not 1915.

The Chairman: We adjourn then until 10 to-morrow morning.

Inquiry adjourned to 10 a.m. of the following day, Tuesday, March 27th, 1917.

TWELFTH SESSION.

TUESDAY, March 27th, 1917.

Meeting called to order at 10.15 a.m.

Examination of Mr. Callaghan resumed.

Mr. Taylor: I would like Mr. Hanes to ask Mr. Callaghan a few questions upon a subject-matter in reference to which I think he can handle it better than I can.

Mr. Hanes: I think, last evening, Mr. Callaghan, you said that there was an overpayment made by Mr. P. Welch to Mr. Lonsberg? A.—Mr. Lonsberg overestimated the amount that was in the work.

Q.—Lonsberg overestimated the amount? A.—Yes.

Q.—To the extent of how many yards, did you state? A.—Practically 50,000.

Q.—50,000? A.—Yes.

Q.—Well, in making the adjustment, how do you claim that you deducted 82,000 yards of earth, and then added about 4,000 yards of hard-pan, and 12,000 or 13,000 yards of loose rock, and 17,002 of solid rock? A.—No, I have not got the details of that general deduction that took place.

Q.—That is the amount; how much was overpaid; does it show? A.—Yes; it is the number of yards that I turned in here yesterday evening.

Q.—What was the amount? A.—I will add them up, and you will have the papers in here as an exhibit. That goes on for three months; 25,598 cubic yards of earth; solid rock, overbreak, 11,938; and solid rock, 25,800; that is in addition to the 9,940 yards of loose rock; 9,940 yards of loose rock in the classification; and the general result was 501,000 yards of a deduction in addition to the 24. You can prove that from P. Welch's books, of course.

Q.—What was your total deduction in yardage; you stated here, overpaid for 50,000 yards; I will ask you what your deduction was of earth, for instance? A.—25,598.

Q.—You state there was not 82,000 yards of earth deducted? A.—Deducted?

Q.—Yes. A.—This is all I can give you, the general result of that measurement; this is what the estimates showed—the actual amount was, anyway—and it had been paid for; if any of that work had not been paid for, it was not put in here.

Q.—Well, what I am asking you just now, do you know—— A.—I was informed at one time that there was 83,000 yards, or something like that, actually deducted from this estimate in yards.

Q.—Well, I will ask you now, then, do you know whether 83,000 yards was deducted or not—82,000 yards; do you know personally? A.—No, only what I have been told.

Mr. Hanes: Well, I won't take up any more time now, Mr. Chairman; we can go into that later.

Mr. Maclean: I want to understand this: I understand Lonsberg overcharged a certain number of yards? A.—He overestimated.

Q.—Well, he got paid for that, did he? A.—He estimated, and the stationmen, they were paid.

Q.—The stationmen were paid? A.—Yes.

Q.—Was he paid? A.—Lonsberg was the engineer.

Q.—Oh, I see; he was the engineer? A.—Yes.

Q.—Then, that was afterwards rectified? A.—That was afterwards rectified.

Q.—And you deducted that amount? A.—Yes.

Q.—And you had it rectified? A.—Yes; this is the general result, in regard to what was actually paid.

Q.—If you had let it go on, P. Welch would have been getting paid on work that had not been done? A.—Yes.

Q.—And P. Welch had paid the sub-contractors? A.—He had paid the stationmen to that amount before we deducted it; all this had been paid for.

Mr. Hanes: Now, before we leave that question, Mr. Callaghan, I will ask you once more, though, if Mr. Lonsberg was overpaid approximately 52,000 yards, in making the settlement, could you deduct more yardage than he was overpaid, no matter what the classification was; could you, for instance, deduct 52,000? A.—Yes; the only way that would happen, in case it had not yet been paid for; if it had not yet been paid for, then I would not be able to do so.

Q.—I am speaking of the records, of the estimates? A.—This is exactly what was paid for.

Q.—Well, I am speaking of the estimates that were turned in? A.—We can turn up the estimates and find it. But he had the gross amount that he had overestimated; whether it was paid for or not, we got that.

Q.—Well, I am speaking of the estimates, the 50,000; in making the adjustment, could you deduct 52,000 yards all in one quantity, in one classification, if there was only 50,000 yards overpayments of the total? A.—The only way it could happen, in case the material had not yet been paid for; but that was my information. The estimates will show that;

they are still in existence, and it can be shown whether that is true or not; but that was my information.

Mr. Hanes: Mr. Chairman, we will go into this a little later, into the real figures.

Mr. Taylor: I want to deal with surfacing, and the specification affecting that matter is Exhibit No. 7? A.—Surfacing?

Q.—Exhibit No. 7; that is, track-laying and surfacing. There are three paragraphs—five paragraphs that might be read. These are 158 to 162, both inclusive. The important one is 159.

"158. The track will be surfaced with materials obtained from the side, or surfaced and ballasted with train-hauled material as directed.

"159. Surfacing, A. Will include all work of procuring surfacing material from side-ditches, or other places, where allowed, putting under the track, surfacing, lining, and all other work incident to the preparation of the track for operation, where material for surfacing is obtained from the side.

"160. Surfacing, B. Will include the cost of all train-hauled material under the track, surfacing line, and all other work incident to the preparation of the track for operation, where surfacing is done with train-hauled material.

"161. Ballasting will include the loading, and hauling alongside of the track, and transportation of all material hauled by train for the purpose of surfacing the track.

"162. Surfacing or ballasting must be done strictly in conformity with the standard plans."

Now, the original contract on that subject provided for certain prices which have been changed since. "Side-surfacing, \$700 a mile."

Mr. Maclean: Are those the originals?

Mr. Taylor: "Side-surfacing, \$700 per mile; surfacing train-hauled, per cubic yard, 50 cents." Those are the two things which are in that original contract of 23rd September, 1912, from which I have just read. I may be mistaken, but I see no price for ballasting; but on November 30th, 1915, and this is an important date, attached to Exhibit 3 and as a part thereof—namely, the contract of P. Welch with the Company dated the 23rd of September, 1912, is the letter of John W. Stewart to John Callaghan, varying the contract dated November 20th, 1915, reading as follows:—

"November 20th, 1915. John Callaghan, Esq., Chief Eng., etc. Referring to the contract for surfacing and ballasting, in order that there will be no misunderstanding or inconsistency with respect to the schedule of prices and the specifications governing the work, I have decided to amend the contract as follows: Surfacing A, \$700 per mile; surfacing B, \$700 per mile; ballasting, 50 cents per cubic yard.—Yours truly, J. W. STEWART, President, Vancouver.

"Amendment to contract dated 23rd September, 1912, accepted.—P. WELCH, Contractor."

Now we are digressing here for just a minute.

Mr. Maclean: Is that signed by P. Welch, Contractor?

Mr. Taylor: Signed "P. Welch, Contractor"; signed, his own signature. Just digressing for a second, that letter, as it turns out now, is an absolute farce, on the face of it. J. W. Stewart had a third interest in the contract that he was amending; did you know that at the time? A.—Of course, I knew that the question of this—

Q.—Did you know that, at the time, that John W. Stewart, who signed this as president of the Railway Company, was making a new contract changing the prices in the contract of 23rd September, 1912, for himself, with himself?

Mr. Maclean: Both of them signed it.

Witness: No, I didn't know that; I never knew that.

Mr. Taylor: They both signed it, and it is an absolute farce, when each of them had a one-third interest in it. A.—I never knew anything about the transaction between Welch & Stewart until I heard it in this room.

Q.—We have been making a little digression—now I want to produce the letter of Mr. Tate to Mr. Callaghan, about this date, claiming that you were paying for surfacing twice in your estimates? A.—Mr. Tate, do you say?

Mr. Maclean: Do you know what the date of the letter is?

Mr. Taylor: It would be about the date of the amendment to this contract; it would be immediately afterwards, just immediately or before this day. 20th November, 1915. I want Mr. Callaghan's letter to Mr. Tate, and Mr. Tate's letter to Mr. Callaghan, and Mr. Tate's letter

to P. Welch or any person else on that subject. Now, in the original contract the train-haul, 50 cents, that is there may, I suppose, be called ballasting, train-haul, 50 cents. I will read again section 159 and ask you for your explanation; 159 of Exhibit 7—namely, the specifications for track-laying and surfacing: "159, Surfacing, A. Will include all work of procuring surfacing material from side-ditches, or other places, where allowed, putting under the track, surfacing, lining, and all other work incident to the preparation of the track for operation, where material for surfacing is obtained from the side." Now, isn't that a perfectly clear definition; that you can take side-surfacing from the side of the road-bed, which means to make a completed road, ready for operation; why, it is surfacing from the side of the road-bed, and you don't get any train-haul at all? A.—If the material at the side is suitable for that purpose it is used.

Q.—You could not use clay? A.—It is not suitable.

Q.—Whatever is said there, it means, wherever it is suitable; wherever the surfacing material at the side of the road-bed is suitable for surfacing, then you have no train-haul at all; you have no object to train-haul at all? A.—There are cases where the banks might be too narrow to borrow your surfacing material, so that it is impossible to do it in that way, then you would have to haul your own material to widen the bank; you would lose the support of the bank if you took it away; you cannot always do that, by any means.

Q.—I will put it this way: Whenever the material on the side of the road-bed is suitable and the local conditions are adaptable, then you have no haul for surfacing material; would not have a train-haul? A.—Well, we would not; if there was sufficient of it that could be obtained, we surely would not; but I think that the conditions along that line will show that that is not the case.

Q.—Very well, we will assume that three-quarters of the material on the side of the track was suitable; that is, you could get three-quarters of the necessary material for surfacing from the side of the track, and one-quarter of the material you had to train-haul; how did you actually pay P. Welch for that? A.—Well, that is not the case; that is not the case along the line.

Q.—Well, I am instructed; I may be in error in my instructions, but I am instructed it is the case. A.—The way to determine that is to look at it; the work is there and it can be seen.

Q.—Well, we are in this room, and we have to get along the best we can, and I don't see why we should go and look at something that you can just as well speak of.

Mr. Maclean: Give my learned friend those photographs, and let him see that line—

Mr. Taylor: Now, just a moment, Mr. Maclean, please; you had a correspondence with Mr. Tate on that very subject, didn't you? A.—Yes.

Q.—And he protested that you were paying Welch twice, that you were paying him \$700 a mile for surfacing, and then you were paying him 50 cents a cubic yard for train-haul or ballasting besides, didn't he? A.—Those are always two items in connection with track-laying, ballasting, and surfacing. Those are the Canadian Pacific specifications that we have got, and I have been working with them for years, and they are interpreted there in that way.

Q.—I am not complaining about the specifications, but I am complaining about the alleged breach of the specifications—I don't say there was a breach. A.—Mr. Tate apparently considered it the other way, and it was brought to the notice of Mr. Stewart, and so he put it beyond any question whatever; that would be the reason they amended them.

Q.—In bringing it to the notice of Mr. Stewart, Welch & Stewart were one, as admitted now? A.—Yes.

Q.—And it would not have the effect that it had once. Now, getting beyond that, we have to get to the actual root of the matter; we have a specification here that is surely as plain as the nose on a man's face. Now, isn't it a fact that you in some instances, and contrary to the protests of Mr. Tate, paid \$700 for side-surfacing where the material was taken from the side, and over identically the same area you allowed train-haul at 50 cents a cubic yard? A.—Where there was a train-haul, certainly.

Q.—Then you should not have allowed the whole \$700 a mile for the side-surfacing— A.—Oh, it was surfaced either on train-haul or surfacing material at hand.

Q.—But you should not have allowed the whole \$700 a mile for the side-surfacing where it didn't do the trick? A.—Oh, yes.

Q.—You allowed him the whole \$700 a mile, and at the same time allowed him the train-haul at the rate of 50 cents per cubic yard? A.—Oh, yes; that is according to the specifications.

Q.—Well, if there is enough side-surfacing to do the work, why should you pay him at \$700 a mile and also allow train-haul? A.—That \$700 is the total sum paid for surfacing.

Q.—It goes by the mile, not by the yard? A.—\$700 a mile, no matter how the material is obtained, at \$700 a mile for the surfacing.

Q.—If he could get enough of that surfacing at that particular location, why didn't you reduce the \$700 a mile and make up the difference by train-haul at 50 cents a cubic yard? A.—It would be made up with train-haul if there was not enough.

Q.—I am instructed that \$700 a mile didn't do the trick? A.—Oh, yes; the surfacing was done either by train-haul material or from the side.

Q.—Why pay for side-surfacing if there was not enough material on the side for the purpose? A.—You haul material from other places where you have not enough at hand, and you get paid train-haul for doing that. Then, when you have got the material to the place, you are paid \$700 a mile for surfacing with it; \$700 a mile must be paid regardless of how the material is obtained.

Q.—And that is your point? A.—Yes.

The Chairman: Is it \$700 a mile if you have a train-haul and also if you get the material from the side? A.—It is just the same if it is obtained by train-haul, but you add to it the 50 cents a yard for train-hauling.

Mr. Hall: Is that under the first specification? A.—Under the first specification.

Q.—Is it the same all the way through? A.—Yes; that is the amendment of the first specification.

Mr. Hanes: I am going to ask Mr. Callaghan for a cross-section; have you got the cross-section? I asked you if you would supply cross-sections of your standard railway; will you file one? A.—Cross-sections of the standard railway?

Q.—Showing the ballasting and the track.

Mr. Maclean: What standard railway?

Mr. Hanes: Of his standard railway, of the standard for the P.G.E.R. A.—We have not got that.

Q.—You state you do not have any standard? A.—No, we have no standard plan.

Q.—Will you make a sketch for the Committee showing what you require in the line of track-laying and ballasting, and showing the subgrade; will you make a sketch showing those things?

Mr. Taylor: Cross-section is that? A.—The amount of ballasting would all depend on the subgrade. If the subgrade was formed of gravel or of rock, the lift would not be as much as it would in case it would be clay, so there would be less gravel hauled where the rock was subgrade than if it was of clay or any other similar material.

Q.—I understand that you have no cross-section showing the establishment of your standard of surfacing, and track-laying, and ballasting? A.—No, we have not.

Q.—You never did employ one? A.—Never made any standard.

Q.—But you can draw a cross-section, can you, for the benefit of this Committee, showing what your standard actually was in the work on this road? A.—It varies with the subgrade, and the amount of lift, according to the condition of the subgrade. If the subgrade was of a dry and stony nature—well, there would be only a small amount of gravel hauled on it; the amount would be small.

Q.—You know, as a matter of fact, that the C.P.R. and other roads of importance on this continent employ a standard cross-section to show the standard of their surfacing, ballasting, and track-laying? A.—They do just the same as we do; if they have a dry subgrade, they put a small amount of ballast on it; but if they have a poor subgrade, they put more ballast on it; it would be wasting money to have the train-haul if they have the proper subgrade.

Mr. Maclean: It sounds like common sense as well.

Witness: It is no use wasting money on something that is already well-seasoned and dry.

Mr. Taylor: We will return to where I was before; you were saying then that you would pay for the surfacing no matter where the material came from, whether it came from the side or by train-haul? A.—Yes.

Q.—I am referring now to section 160 of Exhibit 7—wait till I read it, please; don't interfere with me, please.

Mr. Maclean: Let me understand that; he doesn't pay for hauling if he gets the material right there; but he pays the \$700 a mile.

Mr. Taylor: Certainly, that is right. You pay for surfacing, no matter where the material comes from.

Mr. Maclean: It may be a little open to misconstruction, that is all; may give a wrong impression on one's mind.

Mr. Taylor: No. I will repeat—\$700 a mile is paid for surfacing, no matter where the material comes from? A.—Yes.

Q.—If you get it from the side, it is \$700; and if you hauled it there by train, it is \$700? A.—That is the total.

Q.—But if it is hauled there by train, it is also paid for at the rate of 50 cents a cubic yard for hauling? A.—That is it, 50 cents a yard for hauling material.

Q.—Very well; in that connection, I want to read section 160 of section 7, which is surfacing, B: "Surfacing will include the cost of all train-hauled material under the track, surfacing line, and all other work incident to the preparation of the track for operation, where surfacing is done with train-hauled material"? A.—Yes.

Q.—You see, that does not pay for the haul? A.—After, you pay for the hauling; but you pay for the surfacing, \$700 a mile.

Q.—That would certainly be paid in this case? A.—Yes.

Q.—Did Mr. Tate take exception to it? A.—Yes, he apparently did.

Q.—I think we should have his letters, and then we will get this clear, probably.

Mr. Maclean: You say Mr. Tate was wrong, do you? A.—I think he was wrong.

Mr. Taylor: Of course, I understand that. A.—According to that specification, that has been in use for years.

Mr. Hanes: Before we go into this any further, I asked Mr. Callaghan a minute ago if he would make a sketch of a cross-section; I wish that to be prepared. A.—Of the road-bed?

Q.—I wish to have it now, just a rough sketch so that we can discuss this intelligently? A.—The road-bed is finished in different widths.

Q.—Well, make a section and a cut, and a section and a fill. A.—It is narrower in some sections than it is in others.

Q.—Well, make one for rock-cut, and earth-cut, and ordinary rock section? A.—Above the road-bed I think it would be 12 feet.

Mr. Taylor: Let me look at those letters while you are doing that. A.—Beg pardon?

(Question repeated.) A.—No letter here from Mr. Tate.

(Mr. Thomas intimated that the correspondence was generally in his own name.)

Mr. Taylor (to Mr. Tate): Is that your recollection, Mr. Tate, that you wrote a letter? (Mr. Tate.) Yes.

Mr. Taylor: I would like to get Mr. Tate's letter.

Mr. Maclean (referring to drawing made by witness): What is this?

Witness: That is a rough sketch of a cross-section.

Mr. Taylor: A cross-section? A.—Not drawn to a scale, but a guess.

Q.—Dealing with this cross-section of yours, I will file it now—109, I think it is.

Mr. Maclean: This is 110.

Mr. Taylor: This is 110 then, Mr. Secretary.

Mr. Hall: It is 110 according to my note, Mr. Taylor.

Mr. Taylor: I will return to it in a second. I think I can make this clear to the gentlemen of the Committee. The original contract has been changed by letter; therefore there must have been some necessity, I would think. That necessity, I suggest to you, Mr. Callaghan, arises in this way: In the original contract of the 23rd of September, where the prices are given, it reads as follows: "Said surfacing, per mile, \$700; surfacing, train-haul, cubic yard, 50 cents." Now, that seems very clear, when you do it by side-surfacing, you get \$700; if you do the surfacing by train-haul, that includes the train-haul and the surfacing, per cubic yard, 50 cents. The next item is train-haul, bridge-filling, including the necessary trestles and filling, 50 cents a cubic yard. When you go to build your bridges, you dump your earth, or shovel your earth,

load it, take it down to the place—that is, haul it, dump it, and build your trestles for the purpose of dumping it, and you make the fill, and that is only 50 cents? A.—Yes.

Q.—It was necessary to make the change of November 20th, 1915, and correspondence ensued, which is attached to Exhibit No. 3, to contract with P. Welch; this is the amendment which was signed by Mr. Stewart and also by P. Welch, which I have already read, dated November 20th, 1915.

Now we will read the correspondence on that subject showing what the contentions were. Exhibit 111, dated October 15th, 1915. "R. D. Thomas, Secretary-Treasurer, to John Callaghan. Referring to the September estimate, you will notice that the surfacing on section 2 is costing nearly \$1,500 per mile. We have to date paid for side-surfacing 124.65 miles of track, and for train-hauled surfacing, 201,970 cubic yards, which, at 2,200 cubic yards per mile, is equivalent to 91.8 miles of track surfaced, or a total of 216.45 miles of fully surfaced track. We have laid on this section 128.45 miles of track. Will you please explain where this large difference of 88.2 miles of surfaced track comes in? It would appear very much that this amount charged to surfacing is really train-hauled filling."

Now, you replied to Mr. Thomas on October 27th, 1915, by Exhibit 112. "October 27th, 1915. Mr. R. D. Thomas, Secretary-Treasurer, Victoria, B.C. DEAR SIR,—Replying to your letter of October 15th *re* surfacing and ballasting, will say that surfacing and ballasting are two different items of expense. You will know there are specifications for track-laying, sections 159, 160, and 161. There is surfacing A, with material removed from the side-ditches or other places where allowed; and surfacing B, which adds to the cost of surfacing, with train-hauled material and ballasting, which includes loading, hauling, and unloading alongside of track, and transportation of material hauled by train for the purpose of surfacing the track. As to whether material hauled for use in surfacing the track should be estimated as train-haul filling, or ballasting, I do not see that it makes any difference to the Company as far as the cost is concerned. Yours truly."

Now, there is your contention that under the specifications you are entitled to the train-haul in addition to the \$700 per mile, but you will remember that the contract which contains those two items that I have just read, side-surfacing \$700, and surfacing train-haul 50 cents gives you simply the power to settle the specification consistently with that contract—that contract which is Exhibit 3, I think, 23rd September, 1912, and which says: "Furnish and build the said line of railway ready for operation in accordance with the standard of construction required by section 7 of the agreement of 10th February, 1912. The specification to be settled between the contractor and the chief engineer of the Company within the time required by the said agreement for that purpose," etc.

That contract fixes the surfacing itself; you were to prepare specification to comply, of course, with the contract. Instead of that you prepared specification that you now rely upon, that gives you the ballasting as well as the surfacing. That is your position, Exhibit 112.

No. 113 is a letter from Mr. R. D. Thomas of November 5th, 1915, to Mr. Callaghan, Chief Engineer. "I have your letter of the 27th ult., in reply to mine of the 15th. Upon receipt of same, I took the matter up with the vice-president and general counsel for his interpretation of the specifications, which are, of course, an integral part of the contract, and he stated as follows: 'In order to put the construction upon section 160 of the specification as expressed in your letter, it would be necessary to eliminate from section 160 the concluding two lines; that is to say, the cost of surfacing, lining, and all other work incident to the preparation of the track for operation, where surfacing is done with train-hauled materials. In other words, you are construing sections 159 and 160 cumulatively; that is to say, you are applying section 160 to haulage alone, including track loading and unloading, whereas it is clearly intended to apply to all the work embraced in section 159, as well as the haulage of the material. Where an allowance is made under section 160, it includes everything covered by the marginal note, and no allowance should be made for anything further under section 159. Section 159 relates to all operations incident to surfacing where there is no train-haul. Section 160 embraces everything that is in 159 plus train-haul, and the language in each section is perfectly explicit.' Will you please, therefore—"

That ends the quotation-mark; that is Mr. Tate's idea of it. Mr. Thomas continued: "Will you, please, therefore, in pursuance of the above ruling, make the proper adjustments in the next monthly estimate, and in the meantime I shall be obliged if you will advise me the

amount of the overestimate which for the 88.2 miles has per mile of the \$15,000, \$61,740.—Yours truly, R. D. THOMAS.” That is November 5th.

The Chairman: What is the year?

Mr. Taylor: 1915. November 5th, Exhibit 114. You replied to Mr. Thomas as follows: “November 8th, 1915. Mr. R. D. Thomas, Secretary-Treasurer. DEAR SIR,—Replying to your letter of the 5th inst., with further reference to estimating ballasting and surfacing, will say that I took this matter up with the president, and he instructs that the works” (the president, that is Mr. John R. Stewart) “that the work is now estimated according to the specification, and no change will be made in the estimate along the lines which you have mentioned. I may say that I have been estimating work under identical specifications for many years previously to this, and they are quite clear to me, and I do not agree with your suggested application of them. Section 159, surfacing A, states plainly that it includes the cost of procuring surface material, etc., etc., and the work incident to the preparation of the track for operation.

“Section 160, surfacing B, does not include the cost of procuring the surfacing material; it only includes the cost of putting surfacing material under the track, etc., etc.”

(Those et cetera are in the letter; I am reading the letter, not skipping anything.)

“Section 161, ballasting, includes the cost of procuring material, and depositing it on the side of the track to be used under section 160, or otherwise, as the Company may require. Yours truly.”

Mr. Maclean: 161; is he depositing it?

Mr. Taylor: Yes. There again I referred to J. W. Stewart; you took his ruling, too, apparently at the time you did not know of this letter that has been produced before this Committee, showing that Mr. Stewart had just as much interest as P. Welch in that contract? A.—No, I didn't know anything about it.

Q.—You thought he was a *bona-fide* president of the Company, making a *bona-fide* ruling as to the Company, with respect to an independent contractor, P. Welch, didn't you? A.—Oh, yes, certainly.

Q.—And you didn't know that the farce that now exists existed then?

Mr. Maclean: No farce about it at all.

The Chairman: Mr. Callaghan, when this dispute was on, the Government at that time were paying out these moneys out of trust funds; you knew that, didn't you? A.—Oh, yes.

Q.—Was the Government consulted? A.—Not to my knowledge; I don't know that they were.

Q.—Was the Government engineer consulted as to what classification he ought to put on it? A.—No, I did not have anything to do about that; I did not hear anything about him.

Q.—They didn't bother their heads about it then? A.—Not that I know of.

Q.—I suppose, if they had been showing great interest in this matter they would probably have been consulted, wouldn't they? A.—Well, they knew how much track was laid, of course, and what the estimates for the surfacing were.

Q.—In the matter between the railway companies and the contractor, P. Welch, if there was a dispute as to the classification, and the Government of the Province were paying all the money out of trust funds to meet these expenses, why were not the Government consulted about this? A.—I don't know why they were not.

The Secretary: There was really no inspection at all? A.—Oh, there was inspection, many inspections.

Q.—But they could not have been checked up with the estimates at all? A.—I think, as far as I am concerned, I think that the estimates were right under that specification.

The Chairman: I am not questioning that at all, but what I am asking is that there was a dispute on apparently in which the parties that were concerned was the Company and the contractor. A.—Yes.

Mr. Taylor: It really comes to this, Mr. Callaghan: that you had the key to the public chest, through these estimates that you put into the Government, after Mr. Stewart got through with fixing the prices in the contract; that was about the size of it, wasn't it? Your estimates opened the public chest; there was the key to it; no check on it at all, no person had it in his pocket except you; that is about the size of it isn't it?

Mr. Pooley: It would be passed by Mr. Gamble, I suppose? A.—Yes, Mr. Gamble went over them many times.

The Chairman: We have had all that about Mr. Gamble before; was Mr. Gamble concerned about those classifications, that is what I am getting at? A.—To my knowledge, he never mentioned it.

Q.—It appears a case where Mr. Stewart, the president of the Company and the associate of the contractor, settled, apparently finally, the question of this classification, and Mr. Gamble was supposed to be representing the Government, and he was supposed to be the guardian of those trust funds; I want to know how much concern it was of his? A.—I suppose that is for him to say.

Q.—As far as you know, there was no investigation on the part of the Government? A.—As far as I know, he took the estimates.

Mr. Taylor: The next letter is Exhibit 115. November 11th, 1915. "Mr. Thomas to Mr. Callaghan. DEAR SIR,—I note your letter of the 8th instant in reply to mine of the 5th. It seems clear to me that what you are classifying as 'surfacing train-hauled,' which is defined in section 160 of the specifications, is really ballasting defined in section 161, and that the price in the contract for surfacing train-hauled should be applied to ballasting. The contract will require amending in that respect. I presume, as it does not make any difference to the Company as far as the cost is concerned, the president will authorize the switching in the contract of the price for surfacing train-haul to ballasting. Will you please obtain a letter from him to this effect; and have it accepted by Mr. Welch and sent me to be attached to the original contract.—Yours truly, R. D. THOMAS, Sec.-Treasurer." Now, there is a very peculiar statement there. I will read it to you again: "I presume, as it does not make any difference to the Company so far as the cost is concerned, the president will authorize the switching in the contract of the price for surfacing train-haul to ballasting." I suppose, Mr. Thomas had better answer what he means there, but apparently it was perfectly understood that it didn't make any difference what it cost the P.G.E., so long as it satisfied Foley, Welch & Stewart; what did you understand by that part of the letter, it did not matter what it cost the P.G.E., or what it would cost the Government? A.—I don't know as I understood anything in particular about it.

Q.—Well, you read that letter, I presume? A.—Yes.

Q.—And you read what it said, "so far as the cost is concerned, it does not make any difference to the Company"? A.—Yes.

Q.—"The President will authorize the switching in the contract of surfacing train-haul to ballasting." That he will authorize the paying of 50 cents a cubic yard, in addition to the \$700 a mile, whether he was right or wrong? A.—No, that is not what it means. Apparently it means that if the material was hauled by train there would be no price for surfacing; that is what he meant.

Q.—What does he mean when he says that he presumes it does not make any difference to the Company so far as the cost is concerned, and the president will authorize the switching in the contract. It did not require any switching in the contract as it existed in order to enable you to get the prices which were required? A.—Well, I never considered that it required any amendment whatever.

Q.—It would require switching—what did you take from that? A.—I never considered it.

Mr. Taylor: Now, the next thing that occurred, Mr. Chairman—

The Chairman: Those letters are being marked, are they?

Mr. Taylor: Yes. The next thing is the letter of November 20th, 1915, which I will mark as 116, although it is now attached as a part of Exhibit 3, the original contract. You already have that, November 20th, 1915, where J. W. Stewart signed it as president; it is in blank. 116 is in blank. It is the changed contract, with Stewart's name, and Welch's acceptance on it. I have already read it. If you will authorize me, Mr. Chairman, it can go down on the notes, and I will put the same signatures on it that are on the original that we have filed as a part of Exhibit 3. That, I now see, is unnecessary, because there is an original also attached to this number of letters. You will mark also 116, so that there will be two 116's; probably I had better make the copy 116A. The answer to the situation is that they make the situation themselves; they changed the contract on behalf of themselves.

The next letter is 22nd November, 1915. Exhibit No. 117. "Mr. Callaghan to Thomas. Replying to yours of November 11th *re* surfacing and ballasting, herewith I send you two copies of letter received from the Company in regard to this."

Exhibit 118. "Chief Engineer to Mr. Thomas. November 25th, 1915. Will you kindly return me both copies of letter which I sent you on the 22nd inst., signed by Stewart, and also in regard to amending the contract in connection with surfacing. We notice that the price for surfacing is set at \$750 per mile, but it was clearly understood that the price was to be the same as on the original contract, this being \$700. It is obvious that the price for the track-laying has been inserted here in error. I will have a new letter drawn up, on receipt of papers, and return it to you as soon as possible.—Yours truly, Chief Eng."

Mr. Maclean: What is the date of that? A.—That is dictated by "H."

Mr. Taylor: That is November 25th, 1915.

Mr. Maclean: From whom to whom?

Mr. Taylor: From Mr. Callaghan to Mr. Thomas. The next is Exhibit 119. "November 26th, 1915. Mr. Thomas to Mr. Callaghan. As requested in your letter of the 5th inst., I return herewith the enclosures. Regarding the contract prices for ballasting, as the specifications are now understood here, after your explanation of same, the prices for ballasting include the entire cost of the material distributed along the track. The price for surfacing B includes the cost of putting under surfacing and lining of the track, with train-haul of material."

The next letter is Exhibit 120. 29th November, 1915. Mr. Callaghan to Thomas. Reading as follows: "Referring to my letter of the 25th inst., and yours of the 26th, I now enclose herein letter from the president with regard to amending the contract in connection with surfacing."

The next is Exhibit 121. January 26th. Thomas to Callaghan. "I return you herewith copy of December estimate, together with copies of October estimate. I also enclose a copy of communication giving effect to the December amount, and changing from train-haul to ballasting in accordance with our recent correspondence. In further estimates please show balance in view of the present entry."

Now return to this sketch and the cross-sections of the road-bed, Exhibit 110.

Mr. Maclean: Just wait a minute, Mr. Taylor; in connection with this thing there are three letters here—I would like to put them in—showing that this matter was up before Mr. Gamble and passed by him.

Mr. Taylor: You might hand them in to the Secretary.

Mr. Maclean: The first one will be 11th November, 1912. That will be Exhibit 122. Mr. Gamble to Mr. Tate. Exhibit 122. "DEAR SIR,—I beg to acknowledge your letter of the 4th inst., covering schedule of prices attached to the contract. Advising that the P.G.E.R. contract has been let to contractor, P. Welch. This will be treated confidentially as desired. I may point out that the value of ballasting has been omitted, unless it is included in the item surfacing train-haul.—Yours truly, F. C. Gamble."

Mr. Taylor: I would like to have Mr. Tate's letter of the 4th inst. "4th November, 1912, Mr. Tate to Mr. Gamble."

Mr. Maclean: Exhibit 123 will be the letter of November 4th, 1912, from Tate to Gamble.

Mr. Taylor: With enclosure.

Mr. Maclean: What is the enclosure?

(Mr. Thomas: List of price.)

The Chairman: What was the outcome of this thing, Mr. Taylor; was Mr. Stewart's final interpretation accepted?

Mr. Taylor: Mr. Stewart did better than that. He changed the contract, so that the interpretation would go with it. They didn't take the trouble of interpreting it; they changed the contract; that was the best way of doing it.

Mr. Maclean: 124 will be a letter of the 18th December, 1912.

Mr. Taylor: Just a moment, Mr. Maclean; the next letter is 123. November 4th, 1912. Tate to Gamble. Reading as follows: "Confidential. F. C. Gamble, Chief Eng., Department of Railways, Victoria, B.C. DEAR SIR,—I herewith beg to hand you confidentially the prices at which the work of constructing the P.G.E.R. has been let to the contractor, Mr. P. Welch.—Yours truly, Vice-President." We have sent for the enclosure from the Department.

The next letter will be December 18th, 1912. Mr. Tate to P. Welch. "Referring to my letter of the 4th inst., enclosing letter from Chief Eng. Gamble regarding the weight of rails, I beg to remind you that I am still waiting for your reply. I would also remind you that my letter of the 12th, enclosing copy of a letter from him with reference to surfacing train-haul, is

also without any reply. I would like to write Mr. Gamble an answer to inquiries on this point as early as possible." That is, the vice-president of the Company is asking P. Welch, the contractor, as to the prices.

The Chairman: Does not that letter show what was said to Mr. Gamble?

Mr. Taylor: I would like to have a copy of the letter that was enclosed to P. Welch; it says: "I am enclosing copy of letter from Mr. Gamble asking if ballasting is included in surfaced train-haul."

Mr. Maclean: That is already on the file.

Mr. Taylor: That is Exhibit 122. What other letter did you want?

Mr. Maclean: The next one will be a letter of 10th February, 1913, to Mr. Tate. "We have finally secured a reply from Mr. Welch with reference to the question raised as outlined in your communication of December 18th. And he may now be advised that the prices indicated in our contract for the surfacing covers material from under the track and sides. Our price per cubic yard includes all material hauled by train."

Mr. Taylor: That is Exhibit 125. Then Mr. Welch's letter to the vice-president of the Company. P. Welch, per E. F. White. "We have finally secured instructions, on February 10th, from Mr. P. Welch with reference to the questions raised by Mr. Gamble as outlined in your letter of December 18th. He may now be advised that the price indicated in our contract for the side-surfacing covers material put under the track and taken from the side of the embankment. Our price per cubic yard for train-haul includes all materials hauled by the train, in addition to the price per mile for side-surfacing."

Mr. Maclean: That is in answer to our previous letter of the 11th of November.

Mr. Taylor: You will understand, Mr. Chairman, that this is Welch's ruling as to his own contract with the vice-president of the Company, with whom he had the contract. "We have finally secured instructions from Mr. P. Welch with reference to the questions raised by Mr. Gamble as outlined in your communication of December 18th."

Now, December 18th is Mr. Tate to Mr. Welch. "Referring to my letter of the 4th instant, enclosing letter from Mr. Gamble referring to rails," etc.—I skip there. The next paragraph: "I would also remind you that my letter of the 12th, enclosing copy of a letter from Mr. Gamble asking if ballasting is included in surfacing train-haul, is also without any reply. I would like to write Mr. Gamble an answer to his inquiries on this point as early as possible." That is, Mr. Welch is asked to interpret his own contract, and give his own ruling.

Mr. Hall (referring to a point raised while letters were being read): November 20th, 1914, is the date of the acceptance of the alteration. The date of the acceptance of the alteration you mentioned, Mr. Maclean, was November 20th, 1915.

Mr. Taylor: That is the date that the alteration was made and authorized.

The Chairman: They changed the specifications on the 20th of November, 1915.

Mr. Taylor: Yes, on the 20th of November. Exhibit 116.

Mr. Davis: Mr. Tate apparently forgot that those letters were written by Mr. Thomas apparently without his (Mr. Tate's) knowledge.

Mr. Maclean: This had all been settled before the matter came up, before these letters were written by Mr. Thomas. This was settled in 1913. That was the last one I put in, Exhibit 127. That will be 126, a letter of 11th February, 1913. Mr. Tate to Mr. Gamble, this is 1913.

"DEAR SIR,—Replying to your letter of the 11th of November, 1912"—

Now we are going right back to 1912, when Mr. Gamble wrote about this—that is, Exhibit 122—

"Replying to your letter"—

Of course, in the meantime it had been taken up with Mr. Welch and settled so far as he was concerned. Now it is laid before Mr. Gamble:—

"Replying to your letter of 11th November"—

Mr. Hall: Is that 1912?

Mr. Maclean: That is the letter of 11th November, 1912, from Mr. Tate to Mr. Gamble: "Referring to our schedule of prices and inquiry if ballasting was included in the item of surfacing train-haul, will Mr. Welch now advise us that the prices indicated in the schedule for the side-surfacing covers material put under the track and taken off the side embankment,

the price per mile for train-haul includes all material hauled by train and is in addition to the price per mile for side-surfacing."

Mr. Taylor: That is the same as Exhibit 125, isn't it; it reads the same as 125.

The Chairman: They were trying to close the incident as far as Mr. Gamble was concerned.

Mr. Maclean: Yes, that is it. The other matter cropped up afterwards when Mr. Thomas wrote some letters.

Mr. Taylor: Now, that is going further; that is not quite correct. Let us get the thing straight. That was in 1912 and 1913. Mr. P. Welch gave his ruling and Mr. Tate reported it to Mr. Gamble. Then the question arose again in 1915, and then Mr. Stewart made a ruling changing the specification to \$700 a mile, ballasting 50 cents a cubic yard, which Mr. Welch accepted on that date, Exhibit 116.

Mr. Maclean: Is that any different to what was settled before?

The Chairman: Is there any letter from Mr. Gamble as to any inquiries he made?

Mr. Maclean: Yes; there is one letter there, Exhibit 122, Mr. Chairman.

Mr. Taylor: November 11th.

Mr. Maclean: He says it is included in a certain way; but he wanted their ideas, and he got them, and there was no further question about it.

Mr. Pooley: The Chairman will read the letters himself.

The Chairman: As I understand this, Mr. Maclean, it is this way: November 11th, 1912. Mr. Gamble wrote to Mr. Tate asking about this surfacing train-haul. That communication was then sent to Mr. Welch, who put his interpretation upon those items in the contract; and on the 11th of February, 1913, Mr. Tate wrote to Mr. Gamble stating that he had been advised by Mr. Welch that the price per cubic yard,—train-haul—included all materials as stated, and apparently Mr. Gamble accepted that statement, and made no further investigation. Subsequent correspondence took place between the Company and Mr. Welch in regard to the same matter; and it appears that Mr. Gamble was not consulted then in the matter at all.

Mr. Taylor: And a formal amendment to the contract was made by Mr. Welch and Mr. Stewart.

Mr. Maclean: And sent to the Department.

The Chairman: Is there any record of that having been sent to the Department?

Mr. Maclean: Yes, because that contract is produced from the Department with all those things on it.

Mr. Taylor: All we have got is Exhibit No. 3, produced by the Railway Company.

Mr. Maclean: Produced from the Department, yes, absolutely correct; this is my note.

Mr. Taylor: I do not think in saying that Exhibit 3 was produced by the Department. It was produced by Mr. Tate, and was not on file in the Department at all.

Mr. Pooley: We had better find out now whether the Department had a copy of that.

Mr. Maclean: It certainly came from the Department—Exhibit 4, the specification.

Mr. Taylor: Yes, that is all right; but they are talking about Exhibit 3.

Mr. Pooley: Let us find out now whether the Department has that.

Mr. Taylor: The evidence will show that Mr. Tate produced it. Mr. Tate says it is their copy.

Mr. Maclean: This was the document produced by the Department.

Mr. Taylor: So far we have got no evidence that it was filed in the Department.

Mr. Pooley: Could we not clear up this matter now, instead of going back to it. Has the Department got a copy of that amendment?

Mr. Maclean: They certainly have the letter of the 11th of February, 1913.

Mr. Taylor: If you could spare Mr. Bullock for a time we might be able to find out.

Mr. Maclean: Mr. Chairman, the Department has the letter of 11th February, 1913, from Mr. Tate to Mr. Gamble, enclosing that amendment and settling the prices for the work.

Mr. Taylor: That does not advance any. This took place in 1915; what is the use of talking about what took place in 1913? I think that Mr. Bullock can search the records and find out for us, and this afternoon can tell us whether or not Exhibit 116 is filed with the Department. The reason that I think that you are in error, Mr. Maclean, is that the Department had to get a copy of this P. Welch contract from Mr. Tate, which would indicate that there was no copy of the contract on file.

Mr. Maclean: You are talking about 116; 116 was the letter of November 20th, Stewart to Gamble.

The Chairman: No; 116 is November 20th, 1915, Stewart and Welch; that refers to the contract. As to the surfacing B, and ballasting 50 cents per cubic yard, before the amendment to the contract.

Mr. Taylor: Yes.

Mr. Maclean: But what I say is that it was settled in 1913, as far as the Department was concerned, by the letter of 11th February, 1913; that is clear; no doubt about it. There is the letter. Just let us see if the letter of 11th February, 1913, Mr. Tate to Mr. Gamble, is not in the records of the Railway Department.

Mr. Taylor: That is already filed.

Q.—Now, returning, Mr. Callaghan, you said you never did know about the amendment? A.—No; the ballasting and surfacing is two different descriptions of expenditure in connection with track-work.

Q.—The track-laying specifications, filed as Exhibit 7, were revised 1st December, 1913.

The Chairman: December 1st; that is some time after the letter of February 11th, 1913, written to Mr. Gamble.

Mr. Taylor: Yes.

Mr. Maclean: Are those specifications from the Department, Exhibit 4?

Mr. Taylor: They are not from the Department; excuse me one minute, that is Exhibit 7.

Mr. Maclean: Yes, I know; but they were afterwards amended, that is all.

Mr. Taylor: Exhibit 4 has nothing to do with track-laying and surfacing; that is the general specification.

Mr. Maclean: Track-laying and ballasting, dated February 21st, 1913.

Mr. Pooley: And all attached to the exhibit, if I am not mistaken; one dated, and the other not.

Mr. Maclean: They were produced from the Department of Railways.

Mr. Taylor: Exhibit 5 is the general specification. Exhibit 7 is what you want, Mr. Maclean.

Mr. Maclean: I am not talking about that. Mr. Secretary, is it not the case that Exhibit 4 is produced from the Department of Railways?

The Secretary: Yes.

Mr. Maclean: Does not Exhibit 4 include the specification for track-laying dated 21st February, 1913?

The Secretary: I don't know; I have not got them.

Mr. Pooley: Let us have Exhibit 4.

Mr. Taylor: I think he is right on that; they are attached to the typewritten part.

Mr. Pooley: They are attached to the printed part.

Mr. Maclean: The specification belonging to the last mentioned, Exhibit 3, is produced from the Department of Railways. The track-laying portion, dated February 21st, 1913, general printed specification, undated apparently, filed with the Department of Railways on 26th February, 1913.

Mr. Taylor: Yes, you are right.

Mr. Maclean: That is the note I wrote down at the time.

The Chairman: The letter was on February 11th?

Mr. Taylor: February 21st, 1913. John Callaghan's signature to typewritten track-laying and surfacing specification attached to Exhibit 4, and forming a part of it; the balance of the exhibit is printed; it is the general specification.

Mr. Pooley: And undated?

Mr. Taylor: Yes, and undated.

Q.—Returning now to Exhibit 110, Mr. Callaghan—this cross-section of yours—will you give me the distance between the point "A" and the end of the tie? A.—It would be 2 feet.

Q.—And between the point "A" and the end of the tie, that is practically the top of the grade and the end of the tie, that is 2 feet. Now, in the lower sketch, the same point, which is called "B," and the end of the tie, what is the distance? A.—It would be 2 feet.

Q.—2 feet? A.—Yes. These vary sometimes; that is more; this might be taken at more than 2 feet.

Q.—Take the top of the section again, the other side, the point "C" at the end of the tie; what is the distance? A.—It should be $3\frac{1}{2}$ feet.

Q.— $3\frac{1}{2}$ feet, point "C"? A.—Yes.

Q.—That is, on the downhill side of the grade. Then on the lower section, point "D" to the end of the tie; what distance? A.—That will be the same.

Q.— $3\frac{1}{2}$ feet? A.—Yes.

Q.—2 feet on the uphill side of the grade to the track and 3 feet, you say, on the lower side? A.— $3\frac{1}{2}$ feet.

Q.—On the downward side? A.—That would vary; there might be an embankment there; it would be 8 feet out here (indicating on sketch).

Q.—What is the thickness of the tie? A.—7 inches.

Q.—What is the thickness of the surfacing under the tie? A.—It varies according to the character of the road-bed.

Q.—From what to what? A.—3 or 4 inches, and more than that.

Q.—Well, take a rocky road-bed, what would be the thickness of the surfacing? A.—Oh, 4 inches, if the grade was uniform and did not settle for some reason or other; if it did, the track would be brought up to the uniform grade.

Q.—Take an ordinary earth road-bed, what would be the surfacing thickness under the tie? A.—Oh, sometimes it would amount to a foot and a half; it all depends on the way the material is formed.

Q.—What is surfacing for; outside of levelling and filling in between the ties, and keeping them in place, what is its function? A.—To give drainage.

Q.—Does it perform any other function than those I have just mentioned? A.—Draining is the principal thing.

Q.—To keep the level, and draining? A.—Levelling and draining.

Q.—And to keep material in place? A.—Yes, and to act as a cushion where there is solid rock in the road-bed.

Mr. Hanes: Now, you said a foot and a half—that would be where the road-bed had settled? A.—Yes, in order to bring it up to uniform grade.

Q.—Well, isn't it bringing it up to the real grading? A.—After the grading is finished, and the contractor has moved away with his outfit, there is no other way to bring it up—only with the train; that is practically the only way, and the cheapest way.

Q.—Well, where you say it would be that much, it would be where the grade had settled? A.—It would be brought up to whatever the grade might have settled.

Mr. Taylor: I see in the original contract, for the piles delivered as per engineer's bill, per lineal foot, the price is 35 cents for the piling delivered, and I see the next price is "pile-driving per lineal foot, 35 cents"; that is, in order to put the pile in place, it costs 70 cents; that means the common pile? A.—Yes; what is left in place—it would be 70 cents.

Q.—What is left in place? A.—Yes.

Q.—That is after you sawed off the splintered top? A.—Yes.

Q.—Now, what is the average that is sawed off with, say, an ordinary 10-foot penetration? A.—Anywhere from—well, it all depends, of course on the kind of driving, and how well the man determines the way they would penetrate, but it would not be expected that it would be more than probably 4 feet that would be cut off. That is what a person would try to get.

Q.—And you would criticize anything more than that as being careless driving? A.—Well, you might not be able to get right down—to take the sounding. If it was a gravel nature or a strata of gravel, it might interrupt any sounding you might attempt to take, and you might drive a pile through, and it would go from 10 to 20 feet after that, and then you would bring it up again.

Q.—What is the kind of piling you would use in Squamish? A.—It would be shown in the estimate.

Q.—Well, about what kind? A.—Well, take at the Lillooet Crossing, it would be pretty long.

Q.—What do you mean by pretty long? A.—We had heavy penetration there.

Q.—What do you mean by pretty long? A.—Well, I would say about 30 or 35 feet piling, something like that.

Q.—What would be the average length of piling that you use? A.—Oh, well, I don't know. That would have to be taken off the estimate.

Q.—Couldn't you give a rough estimate? A.—No, I could not.

Q.—Wouldn't it be about 30 feet? A.—I don't know.

Q.—I am only guessing at it, you know? A.—Well, I would be worse than guessing.

Mr. Pooley: Mr. Callaghan is giving evidence.

Witness: I couldn't say anything like that.

Mr. Taylor: I beg your pardon? A.—It would be impossible for me to remember the average length of the piling used on the line.

Q.—What was the shortest length you used? I don't mean a few exceptional cases, but what was the shortest length you used? A.—I think, 15 or 20 feet.

Q.—And what would be the longest you used? A.—I don't know what would be the longest. I couldn't say that. The bills of material will show what they were. That is the only way to tell.

Q.—35 cents was allowed for the pile delivered. You cut a lot of this piling right along the right-of-way—or the contractor did, rather, didn't he? A.—Well, there was a lot of it that could not be cut there, but it might have been cut if it was to be had, certainly.

Q.—What is that? A.—If it was to be had along there, it certainly would have been taken from that place.

Q.—What do you say about that price of 35 cents being a fair price or not to pay for the piling per lineal foot? A.—I think, taking the average, and considering the work throughout, from Fort George to Vancouver, it would be all right.

Q.—Do you say it would be all right as a price to pay right down to North Vancouver, for instance? A.—Oh, you have to consider the average conditions.

Q.—Take North Vancouver, and from that out to Point Atkinson, would you say it would be a fair price for piling at North Vancouver? A.—No. You could get piling secured there for less on tidal water at North Vancouver than away up there at Fort George.

Q.—What would be a fair price for piling at North Vancouver per lineal foot? A.—I think you could get them for 6 or 7 cents a foot there.

Q.—You could get piling for 6 or 7 cents a foot? A.—Or probably 8 or 9. It all depends on conditions.

Q.—That would be a fair price there for the piling. There was considerable piling-work done down there, wasn't there, at 35 cents a foot? A.—Yes, there was quite a lot of piling done.

Q.—And what do you say about the price for pile-driving at 35 cents a foot, as well as the price of the pile being taken at 35 cents; that is 70 cents per lineal foot for the pile in place at North Vancouver? A.—Well, take some of the piling that was done on the North Shore there, I doubt whether the chances are whether there would be any money made in that. The chances are there is not much money in pile-driving for a matter of 20 cents, anyway.

Q.—That is what I was dealing with a little while ago. You are able to tell me some things about these matters, and then when I ask you about some lengths you cannot tell me anything about it. Now, don't tell me about some particularly high driving, but just take the average price for pile-driving at North Vancouver; what would it be? A.—Well, the pile-driving that we did at North Vancouver was hard driving. Take from Lonsdale Avenue, the driving was hard there.

Q.—Take from Squamish to South Fort George, and you get it over 480 miles, and not simply eight or ten miles from North Vancouver out to White Cliff or Point Atkinson? A.—Well, when you go away into the interior you have to consider what it cost to move the piles in there and to drive these piles. Lots of the places where these piles are driven are places where there are no roads, and practically no access to get your equipment in there, and you have to build a road to get your camp in.

Q.—But don't you always build a road for purpose of construction? A.—No.

Q.—Isn't that a part of railway-construction, to build your roads and then to establish your camps? A.—Not if the roads are not continuous. For instance, you might take a pile-driver at one bridge and you might have to go away off to a river or to some trunk road, some considerable distance to one side—

Q.—Don't tell us what you might do.

Mr. Pooley: Is it a fact that you have to do this? A.—Certainly.

Q.—You had to do this? A.—Certainly.

Q.—No question about it when one knows the country? A.—No. You see, the sub-contractors build roads into the main roads, in order to get on to their particular work, but a lot of the stuff that they have to move they will take it on an old sleigh or a pair of runners.

Mr. Taylor: Anyway, on a 30-foot pile, not taking your longest or your shortest, it would take \$21 to drive each pile in place? A.—Yes.

Q.—Do you think that is a moderate price, taking the length of this road from one end of it to another? A.—I think that is a fair price.

Q.—Now, we were talking of false-work the other day? A.—Yes.

Q.—And about the materials and labour in pile-driving? A.—Yes.

Q.—You paid for the piling in the false-work at the sum of 70 cents a foot? A.—Yes, certainly.

Q.—Although it was wasted when the false-work was removed? A.—Yes.

Q.—Now, if the false-work should not be paid for in that case, then the pile-driving should not be paid for, should it? A.—No, it should not be paid for unless it was necessary.

Mr. Hanes: You said the pile-driving was hard on the North Shore? A.—Yes.

Q.—Now, isn't it a fact that you figured that piles would be supplied and driven there for 22 cents a foot? A.—I don't know. We had something of that for that kind of driving in connection with the runway, for a light boat or something of that kind, but that was not the average pile-driving such as it was along the right-of-way.

Q.—And you say that was hard driving along that right-of-way? A.—Yes.

Q.—And what did you pay the sub-contractor for that driving? A.—I don't know.

Q.—What was Mr. T. R. Nickson receiving? A.—Well, I don't know what he did get. I never heard what he got. I never heard what he got, but I understand that Mr. Nickson's work was unprofitable. That is what I heard; I don't know to what extent, but I heard that rumour.

Q.—But you figured on 22 cents a foot for supplying the piles and driving piles along that very same class of ground, didn't you? A.—You say that I did.

Q.—Yes. A.—There were some done for that.

Q.—During the time that that railroad was being constructed? A.—There was some estimate in connection with Linton—the work that would be needed to be done at Linton's boat-house.

Q.—Driving the piles; and the piles there would be of a similar nature to this, was it not?

A.—Well, I don't remember that particular estimate of the work; but, whatever it was, that is what we allowed at the time.

Mr. Maclean: I understand you to say that was light work; it was a runway for a boat? A.—Yes.

Mr. Hanes: Do you mean to say that the piles you would be driving for that would be any different to what you were driving on the right-of-way? A.—They would not need the same load to carry, and they would not need the same penetration.

Q.—If you were paying 26 cents a foot for a pile for the runway, how much would you buy the piles at—the piles that you speak of here? A.—I don't think you could get it for any less.

Q.—Well, then, as far as the driving is concerned, how much less would the price be for driving the piles for the runway that you speak of than for driving the piles in the trestle-work which is just alongside of it? A.—Well, I would not like to say how much it would be in that particular spot, or what the estimate was that we made for it. I don't remember that now. But, whatever it was, that is what we decided at the time that it would be worth at that particular place.

The Chairman: Now, do you suggest, Mr. Callaghan, that the driving per foot should be any more, or less, for one foot than it is for another, when the two are alongside of each other? A.—Well, I consider the driving for that North Shore was more difficult than most of the driving.

Q.—I did not ask you that. Now I will ask you if the cost of the runway per foot was any more expensive than the other per foot? A.—Well, I don't think it would need to be sustained in the same way.

Q.—Well, would that increase the expense per foot, or reduce the expense per foot? A.—Well, the more penetration you need, the greater the expense would be in that kind of drive.

Q.—Per foot? A.—Yes.

Mr. Yorston: You got out the piling from Fort George to Soda Creek, I think, last fall?
A.—Yes.

Q.—Do you know what was actually paid to the man—I don't know whether it was the man under the sub-contract, or the stationman, but to the man who did it? A.—No, I don't know what they paid for it.

Q.—I understand it was 6½ cents a foot delivered on the work. A.—I never heard.

Mr. Taylor: You mean to say that you don't know what was paid by the contractor for the piling? A.—No, I don't know what he paid for the piling.

Q.—I will just read you your evidence given on an arbitration in which Mr. Davis appeared for Mr. Larson. A.—We are speaking now of what was paid in Fort George. I do know what he paid for it in Vancouver.

Q.—I don't see how you would know about it in Vancouver and not know about it in Fort George? A.—I knew it in Vancouver, because I went to P. Welch and wanted to find it out in connection with this arbitration.

Q.—The better way is to read the evidence as you gave it. "You went over Mr. Cartwright's notes"—

Mr. Maclean: Who is Cartwright?

Mr. Taylor: I am reading from the evidence.

Witness: It is C. E. Cartwright, of Vancouver, of the firm of Cartwright, Matheson & Company.

Mr. Pooley: Who was he working for? A.—Well, he was employed in connection with this suit for the Railway Company.

Mr. Taylor: It was an arbitration between the Pacific Great Eastern and Larson? A.—Yes.

Q.—The Pacific Great Eastern expropriation interfering with Larson's vested rights in the foreshore? A.—Yes.

Mr. Pooley: Who was Cartwright representing? A.—The Railway Company.

Mr. Taylor: He was representing the same interest as you? A.—Yes.

Q.—(reading from evidence).—"You went over Mr. Cartwright's notes? A.—Yes.

"Q.—You corroborate Mr. Cartwright in his estimate, don't you? A.—Yes.

"Q.—Was it new or old timber in your estimate? A.—We did not figure on using any old timber.

"Q.—You allowed all new? A.—Yes.

"Q.—We also heard something about the cost of piles, and it was suggested that piles could not be obtained in North Vancouver at the price the Company figured; what do you know about that? A.—Well, the Company has been buying piles in North Vancouver at 6½ cents delivered there this year.

"Q.—What do you know about, as far as you know the market as to the price that Mr. Cartwright allowed? A.—I think he allowed more than what would be necessary if he allowed 7 cents."

Q.—Now, that is the whole evidence on that point. Now, you spoke of it as if the Company was buying piles. You meant by that that P. Welch was buying piles, didn't you? A.—Yes. I went to P. Welch's office to find out what they were paying.

Q.—Your evidence is "that the Company has been buying piles in North Vancouver." Now, just digressing a moment from that point, you considered at that time that P. Welch and the Company were practically one person, didn't you? A.—No.

Q.—That was just a slip? A.—All the material that was bought for the Company, we called it the Company—there was no distinction made in that connection.

Q.—You say you did not know what P. Welch was buying piles for when you gave that evidence, until after you went to his office and inquired; you did not know that before? A.—No. I did not know that till I went to his office and looked at the bills.

Q.—If the piles were delivered at North Vancouver at 6½ cents at tide-water they would have to be brought there by tug, wouldn't they? A.—Sometimes. There is piling sometimes that can be secured right over there on the North Shore.

Q.—Do you mean to say you can secure piling in North Vancouver by cutting it off the land there? A.—It can be secured, I think—some, anyway, at Capilano there.

Q.—You are not giving that answer for serious consideration as to the amount of piling you get around North Vancouver by cutting it from the land? A.—No, no.

Q.—Don't treat an odd stick or so as being the whole quantity. We are dealing now with this particular piling here. Do you mean to say, in answer to Mr. Yorston, that you don't know what was paid for piling by P. Welch that he contracted for all along the line? A.—No, certainly I don't.

Q.—What is that? A.—I don't know.

Q.—But you theorized a little while ago about the number of roads that he would have to build? A.—Yes; we were talking about taking the pile-driver along the railway from one bridge to another.

Q.—Well, the notes will show what you have said.

Mr. Maclean: There is no doubt about what he said.

Mr. Taylor: In addition to what you said as to taking the pile-driver in, you also spoke about the roads that would have to be built in order to get the piles to the bridges from the places where they were cut, or something to that effect, did you not, or was I mistaken about that? A.—Sometimes they do, yes.

Q.—Why theorize on that if you don't know anything about the price that was paid for those piles delivered at the bridge? What was your idea in theorizing on that? A.—It was simply to show what had to be done in certain instances.

Mr. Pooley: I think if you will look at the notes you will find that the witness never said anything about the piles at that time. If I remember it, he was talking about taking the pile-driver in.

Witness: I was speaking about making the roads to take the pile-driver.

Mr. Maclean: He was talking about the price it would cost to put the pile in position, and he was talking about driving it down with a pile-driver.

Mr. Taylor: There is just a little bit more evidence that I want to read to you; this is the rest of your evidence taken on the arbitration given by you in cross-examination by Mr. Davis, which reads as follows, as to that subject and then I am through on that:—

“Q.—You say your Company has bought piles at 6¼ cents a foot? A.—Yes.

“Q.—It is possible a better rate might be got by a large company buying a large number. Do you know of any comparatively small number that had been bought at any such figure as that? A.—Well, this particular bill that I spoke of was a small amount of piling running from 15 to 30 feet delivered in small lengths, that you can buy at McDade's in Vancouver at 6¼ cents this year.

“Q.—Had you ever got out piles for the Company before? A.—Well, we had been buying piles from different dealers.”

Q.—That is the end of that. You remember giving that evidence as quoted by me in those two places? A.—I remember it now.

Q.—And it is correct as read by me; you gave that evidence, didn't you? A.—Yes.

Mr. Maclean: In connection with that surfacing matter I have another letter here to put in.

Mr. Taylor: I think that is all I have, excepting some productions that you have to make Mr. Callaghan. I have a note here that you were to produce the right-of-way map, and you have not produced that yet. This gentleman here says the right-of-way maps have not been produced; is he right in that? A.—Have you told them about it?

The Clerk: Yes. We had to go down to the Department to get it and that completed the whole thing.

Mr. Taylor: Well, just check that up. The right-of-way maps he thinks are here. Have you got your first location-maps, Mr. Callaghan?

Mr. Maclean: That will be Exhibit 127.

Mr. Taylor: He has not got them yet. Now, I filed the letter of Mr. Tate to Mr. Gamble of November 4th, 1912. It is already in, but I will now file the original as Exhibit 127.

Mr. Maclean: What do you say that is—what date?

Mr. Taylor: November 4th, 1912. That is the confidential letter with prices attached. The prices are attached to it, and the enclosure referred to in the letter is attached to this Exhibit 127.

Mr. Pooley: Is that the same as Exhibit 122, Mr. Taylor?

Mr. Taylor: Yes, I think you are right in the number. In this confidential price-list, on November 4th, 1912, these items read as follows: “Side-surfacing per mile, \$700; surfacing train-

haul and ballasting, 50 cents"—"and ballasting," those words are written in in pencil—"per cubic yard, 50 cents."

Q.—"And ballasting"—I wonder whose handwriting those are in? Could you tell me, Mr. Tate? It is typewritten "surfacing train-haul," and then "and ballasting" is written in in lead-pencil, "per cubic yard, 50 cents."

The Chairman: That is a letter to Mr. Gamble, and I expected he would write that on after he got the other letter.

Mr. Taylor: Mr. Tate thinks it is Mr. Gamble's writing, and that would mean that Mr. Gamble would consider that the surfacing and ballasting were included in that one price.

Mr. Maclean: He doesn't say that.

Mr. Taylor: Have that marked after Mr. Maclean is through with it.

Mr. Maclean: 127 is not the same as Exhibit 122, because 122 is a letter from Gamble to Tate. It must be 122 you meant.

Mr. Pooley: Yes, that is it.

Mr. Maclean: It is the same as Exhibit 122. 123 is a letter, Tate to Gamble, and this is the original letter—the original of 122.

Mr. Taylor: Now, Mr. Callaghan, I want these letters—letter from P. Welch to J. Callaghan of July 15th, 1914, respecting ties; letter from Callaghan to Merriam, dated May 7th, 1914; Callaghan to Welsh, dated January 20th, 1915; letter, Crysdale to Callaghan, dated July 28th 1914.

The Clerk: Is it all about ties?

Mr. Taylor: I don't know anything about that; will you get these as soon as you can?

The Clerk: Yes.

Mr. Taylor: We want to have from P. Welch the stationman's contracts and the sub-contractors' contracts. I would ask for them also.

Mr. Maclean: Well, we have got the figures in already.

Mr. Taylor: Well, we want the contracts themselves.

Mr. Maclean: Well, I understand there were none outside of those memos.; that is, as far as Mr. Callaghan was concerned.

Mr. Taylor: Mr. Davis promised to look it up, and have it produced.

Mr. Maclean: You have not put in anything since Exhibit 127, have you?

Mr. Taylor: No. There was to be produced also the rules as per Exhibit 92. and the P. Welch rules as per Exhibit 93, apparently by Mr. Welch. Mr. Welch was to produce his copy of the specifications as per Exhibit 84, and his copy of the specifications as per copy Exhibit 86.

Mr. Davis: Now, what are those of P. Welch's again?

Mr. Taylor: All the stationmen's contracts.

Mr. Davis: They have been sent for outside.

Mr. Taylor: All the sub-contractors' contracts and prices.

Mr. Davis: The next?

Mr. Taylor: P. Welch's copy of specifications as referred to in Exhibit 84; copy of the specifications as referred to in copy Exhibit 86; rules as per Exhibit 93, and ditto Exhibit 92. Subject to those letters being produced, that is all I have to ask Mr. Callaghan.

Mr. Maclean: I will put in as Exhibit 128 thirty-eight views taken along the P.G.E. Railway, and on the back of these views you will find a notation of the description and the place.

Mr. Taylor: On the back of each view?

Mr. Maclean: On the back of each view.

Mr. Taylor: Taken by whom?

Mr. Callaghan: Most of them were taken by me. I would make two or three copies, maybe half a dozen at a time.

The Chairman: They were all correctly marked? A.—Yes.

Mr. Taylor: They were taken for what purpose, Mr. Callaghan? A.—They have been taken during the last two or three years just to preserve them.

Q.—Have you produced all the photos you took in that time along that line? A.—Oh, no, I have got a lot of them besides.

Q.—Well, why not produce the balance?

Mr. Maclean: Well, he has a number of them here.

Witness: They are scattered, but most of them were taken on the lower end of the line.

Mr. Taylor: And they are what proportion of the photographs that you have in your possession of this line? A.—Well, I suppose I had probably taken about 150 photographs. There is a large number of them, anyway, that have been taken and a great many duplicates of them.

Q.—What is your idea in making this selection of the photographs? A.—Simply to show the line at the various places; these are scattered between Quesnel and Fort George—along the line.

Q.—What particular feature did you expect to demonstrate by these photographs? A.—Well, it shows the nature of the work and the growth of timber that is scattered along in these places.

Mr. Maclean: What do you say about clearing along the line of that railway—speaking generally, as to the nature of it? A.—Well, generally speaking, the material is generally heavy.

Mr. Yorston: What do you mean by that, Mr. Callaghan? A.—I beg your pardon?

Q.—What do you mean by heavy? A.—I mean the growth.

Q.—From Lillooet north, do you call that heavy clearing? A.—No. There was a remark made the other day about the clearing; somebody said that they would estimate it as an acre of clearing if there was only one tree on it, and since that time I have looked into the estimates, and I notice in Residency 21—

Q.—Where is that? A.—That is from the vicinity of Fountain Creek, from there up towards Pavilion; on that residency there was 175.2 acres of right-of-way, and there are only so many acres for clearing; there was only 10 per cent. for the clearing that was paid, and I think, if you will look into the clearing along the line, you won't see any right-of-way clearing given where it should not have been done.

Mr. Hanes: What residency is that you were speaking of? A.—That was on Residency No. 21.

Q.—And what mileage was it? A.—Well, I could not tell you the mileage, but it is seven or eight miles north of Lillooet.

Q.—Well, what was the last reference about clearing? A.—Well, that was around Pavilion. There was only about 10 per cent. of that residency for clearing to be paid for. About 10 per cent. of the total was paid for along the right-of-way.

Q.—Now, will you produce your notes as to whether you paid for 11.8 acres at \$150 per acre for clearing on Residency No. 20, which was sage-brush?

The Clerk: That is in the estimates, and the estimates are filed.

Mr. Taylor: You heard Mr. Hanes's last remark—"which was sage-brush"? Do you agree with that? A.—Well, I would not say that it was sage-brush.

Mr. Hanes: It is the Lillooet Station ground? A.—Oh, the Lillooet Station ground?

Q.—Will you produce your statement for that? A.—Certainly.

Q.—Will you produce your notes on Residency No. 20 as to whether you paid for clearing at \$150 an acre? A.—I was speaking of Residency No. 21.

Q.—Well, I was referring to Residency No. 20? A.—Yes, I know.

Mr. Taylor: If you paid that for the Lillooet Station ground it was pretty high, you knew the Lillooet Station ground from personal observation, and you knew it was not timber, didn't you?

Mr. Pooley: Just let him get his notes.

Mr. Taylor: If you did know it, you knew it was not covered by timber originally? A.—I know it would be principally sage-brush at Lillooet Station.

Mr. Hanes: Was there one tree on it? A.—I would think there would be, but I could not say whether there would be one tree on it or not.

Q.—Was there more than one? A.—That I could not say. I never looked into the right-of-way clearing—I never went into any such details as that. A man could very readily give right-of-way clearing where there was not any, and I would not notice it.

Mr. Pooley: Are you looking up Residency No. 20?

Mr. Taylor: Did you pay for any clearing outside of the 100 feet of right-of-way? A.—Oh, yes.

Q.—I understand that the Statute only authorizes 100 feet of clearing? A.—Yes. At bridge-sites it is wider; and where there are embankments or cuttings to accommodate, it would have to be wider—where there are slopes.

Q.—Well, the Statute provides for 100 feet. Did you pay for any clearing outside of the right-of-way? A.—I don't know. There might have been a borrow-pit outside of the right-of-way which would be needed, and we would have to clear that.

Q.—You know what I am talking about—pure right-of-way, and stuff outside of the right-of-way not borrow-pits? A.—No, not unless there was an abandonment of that part of the line. That is, a line might be changed, but where there is a bridge the intention is to have extra right-of-way—or where there are borrow-pits.

Q.—I am not talking about where there are no borrow-pits; didn't you pay for that clearing outside of the right-of-way? A.—Yes, where necessary.

Q.—Why did you do it? A.—It would be for the reason of a station-ground or a bridge or for extra slopes needed to accommodate the embankment, or else we were changing the line.

Q.—Is it usual railroading practice to pay for clearing other people's lands beyond the right-of-way which are not borrow-pits and not station-grounds? A.—Oh, there would not be anything like that done. There might be an exceptional case where we might take 100 feet of right-of-way through a timber limit, for instance; and after the work was cross-sectioned, it might be necessary to go outside of that to accommodate the slopes of embankments, and then there would be some little clearing done there; but we would not buy all that land, because we would not necessarily care to own it all. There might be a few cases like that.

The Secretary: Did you establish any maximum grade or maximum curvature before you started locating? A.—Well, we started on 12-degree curves—

Q.—And what grade? A.—2.2.

Q.—What was your standard grade to be? A.—Well, we did not want to exceed the 2.2, and have not exceeded that in going north, and we have not exceeded a 2-per-cent. grade coming south.

Q.—Have you figured what are the number of cars that a Mogul engine could handle going north? A.—It all depends on the size of them, and on the weight of the engine.

Q.—Well, take a big Mogul freight-engine? What is its capacity—23,000 lb.?

Mr. Taylor: Isn't a Mogul engine 120 tons?

Witness: Well, on the two grades, the resistance due to gravity would be 44 lb. to a ton, and then the resistance due to friction would be about 6; that would make about 50 lb. to a ton; and then take whatever the traction-power of the motor-engine was, and divide it by 50, you could tell what it would haul; and, of course, you would have to add in the weight of the locomotive. The resistance would be 50 lb. to the ton.

The Secretary: What is the longest stretch of 2.2 grade you have? A.—I think the longest one is going around Pavilion Mountain, and going up towards Kelly Lake.

Q.—How long is that? A.—It is twenty-three miles altogether.

Q.—At 2.2 grade? A.—Yes; but some of it is 2 per cent.

Q.—Varying from 2 to 2.2? A.—Yes.

Q.—It is a heavy grade? A.—Yes.

Q.—What is the weight of steel that you use for those rails? A.—60 and 70; 60 on the 2-per-cent. grade, and any over the 2-per-cent. grade you use the 70.

Q.—And you use the same as they do on the rails suitable for transcontinental service? A.—Well, this is not for fast traffic. It all depends on the speed of the trains.

The Chairman: What do they use on the Grand Trunk Pacific? A.—80.

Mr. Hall: And what are the grades? A.—The grades are 1 per cent. on the Grand Trunk Pacific; that is the steepest I know.

Q.—The Secretary: And what is their maximum curvature? A.—6 degrees. They may have 8; there might be one or two at that.

Q.—Did you have any book of instructions to give your engineers at all? A.—I think we wrote them a letter as to the value to give curvature.

Mr. Davis: In connection with those productions, I have here regulations in Exhibit 93 and the original letter. The regulations in Exhibit 92 we have not got. That was a letter to Mr. Truesdale, and not evidence at all. The specifications referred to, as I said the other day, were sent out to various sub-contractors, and we have searched to see if we have them, and we have not got them. We have a letter here of March 13th, 1914, with an enclosure, and the sub-contracts with the stationmen and sub-contractor, and statements will be brought in.

Mr. Maclean: Those regulations will be Exhibit 93.

Mr. Taylor: No, I am afraid that will be confusing on the notes. I will file the following letters produced by Mr. Davis: Letter dated March 13th, 1914, Callaghan to P. Welch. What exhibit will it be?

The Secretary: Exhibit 129.

Mr. Taylor: Callaghan to P. Welch, dated March 13th, 1914: "I herewith enclose three copies of 'Rules to be followed in conforming with specifications for timber structures'"; that is the letter marked Exhibit 129. And letter from P. Welch to J. Hanbury & Company, headed "Specifications for timber structures," which will be exhibit 130, dated March 13th, 1914, "Re Attention Mr. MacFarlane."

Mr. Maclean: That is a letter, is it?

Mr. Taylor: Yes; from P. Welch to John Hanbury. That will be Exhibit 130, and is headed "Specifications for timber structures." "Attention of Mr. MacFarlane." "GENTLEMEN,—We enclose herewith revised specifications for timber structures dated March 13th, 1914, as approved by the chief engineer, his letter of the same date. We desire that you carefully check each item and advise us by return messenger whether or not this will interfere with the customary delivery which we have been receiving in the past. We would also like to be advised if these specifications will affect the price in any way and on what particular items. It is desired that this matter be settled at once in order that deliveries may be resumed to-morrow without fail." Now, you see, there is one of the contested specifications, Mr. Callaghan? A.—Well, I say that those specifications were never made use of in connection with P. Welch's contracts as far as estimating on P. Welch's contract was concerned. Those specifications were never made use of.

Q.—Mr. P. Welch says here: "We enclose herewith revised specifications for timber structures dated March 13th, 1914," just as we contended? A.—He is dealing with the man who he is purchasing the material from. Hanbury has to comply with those specifications.

Mr. Taylor: And Exhibit 131, it is the rules to be followed in dealing with timber structures?

Mr. Maclean: Didn't you put in as Exhibit 129 rules for timber structures?

Mr. Taylor: No. It was a letter referring to the rules, and those rules are dated March 12th, 1913, apparently prepared by Mr. Callaghan—without reading them—I don't suppose you wish me to read them. They are details of how the timber shall be cut, and its quality, and it goes into the question of knots—spiked knots, and caps, sills, and posts. And the same rules apply as to longitudinal struts or girts, ex braces, sash and sway braces, ties and guard timbers, and Howe-truss timbers. There is also attached as Exhibit 132 specifications for timber structures, which is the much-contested Exhibit 74, in full typewriting. It says at the bottom, "Vancouver, September 25th, 1913—revised December 31st, 1913," and it was produced by Mr. P. Welch as being the exact specifications that he was contending for as Exhibit 74.

Mr. Maclean: Yes, in a letter from him to a man he was buying timber from.

Mr. Taylor: That is Exhibit 132. It is attached and printed right through with the rules which I have referred to, and will be Exhibit 131.

The Secretary: Mr. Davis is producing those exhibits from 129 on.

Mr. Taylor: Yes, from 129 to 132.

Mr. Davis: Yes; and here are the sub-contracts and the stationmen's tenders.

Mr. Taylor: Now Mr. Davis also produces from Mr. Welch Exhibit 133, a letter signed by John Callaghan.

Mr. Maclean: You just had that, the specifications for timber structures.

Mr. Taylor: Yes. Now, Exhibit 133 is a letter signed by John Callaghan, directed to Mr. P. Welch, of August 4th, 1913.

Mr. Maclean: Yes, what is that about?

Mr. Taylor: Specifications for timber structures attached. This is dated August 4th, 1913, and will be Exhibit 133. It is addressed to Mr. P. Welch, Contractor, Vancouver, B.C. "Here-with I send you in triplicate blue-print plans of one deck Howe truss 100-foot span for 6 degree curve, crossing Swift Creek, Station 1238-50, Mile 24, Alta Lake Summit South," etc. I won't read the figures here because there is a bunch of them. The same letter has been filed before, I think. "The material for these two spans should be secured at an early date, as Mr. Welch proposes to haul the bridge material required at the crossing of Swift Creek forward on wagons, so that there will be no delay to track-laying when the steel reaches this point." I think this letter is already filed. "The span required for the crossing of the Cheakamus at Mile 20 will

require to be put in some time this winter; at least some time before high water comes on next spring. Two copies of specifications for timber structures are included herewith." And the specifications as per Exhibit 8 are attached. I should judge it to be a copy of Exhibit 8.

(Document marked "Exhibit 133.")

Mr. Maclean: What sort of a bridge is that that he is dealing with?

Mr. Taylor: A Howe truss—

Mr. Maclean: A steel bridge?

Mr. Taylor: No, no; Howe trusses are wood, but they have got a lot of iron in them to hold the wood together. Isn't that right; is it steel?

The Clerk: Sure, Mike!

Mr. Taylor: Yes, Howe trusses are steel—yes, that is right, because the specifications say steel and iron. I thought there was a Howe-truss wooden bridge too. Now, the sub-contractors' and stationmen's contracts are produced by Mr. Welch and are contained in a large bundle which will be Exhibit 134, which I will file. They will be all filed together.

Mr. Maclean: Just let me see that specification. It is a specification for a timber structure.

Mr. Taylor: It is the same as Exhibit 8. It is the Howe truss with a steel structure. Now I am informed that a Howe truss is wooden—made of timber. The wind has changed. You might tell us now, Mr. Callaghan, what a Howe truss is, is it wood or steel? A.—Well, there are as many pounds of steel and iron in it as there is board measure of wood.

Mr. Maclean: And this is a specification that you prepared; although they are headed timber specifications, they are steel specifications for timber structures? A.—They are the steel part of the timber structure.

Mr. Taylor: That is where the whole muddle has arisen.

Mr. Hanes: Now, Mr. Taylor asked you whether this was a wooden Howe truss or a steel Howe truss? A.—It is wood.

Q.—And this is referring to the wooden parts?

Mr. Taylor: Where is our "sure, Mike" friend. He thought it was all steel. He went after that. I see where we will spot him when he comes in. We will file now the sub-contractors' contracts produced by Mr. Welch as Exhibit 135.

Mr. Maclean: And what was Exhibit 134.

Mr. Taylor: The stationmen's contracts.

(Sub-contractors' contracts marked "Exhibit 135.")

Mr. Pooley: How many are there of 135—eleven of them? You ought to get how many are in the stationmen's contracts.

Mr. Taylor: In regard to the ties, Mr. Chairman, I am filing the letters I asked for a little while ago. The first one Mr. Callaghan produced will be Exhibit 136. This is a letter of July 15th, 1914, written by P. Welch, per Mr. E. F. White, to Mr. John Callaghan.

Mr. Maclean: Welch to White?

Mr. Taylor: No; Welch per White to Mr. Callaghan, reading as follows. It is dated July 15th, 1914, and is headed "Price paid by Pacific Great Eastern for culled ties." "DEAR SIR,—Will you please advise by return what price you are paying for culled ties which have been accepted by you." What is the meaning of that letter? Mr. Welch wants to know what price you are paying for culled ties?

Mr. Maclean: Mr. Callaghan has said that they paid a few cents less for culled ties than they did for the other ties.

Witness: No, I did not say that. As a matter of fact, I don't think I ever saw that letter before.

Mr. Taylor: You wrote it, you know? A.—It is apparently initialled there with "S."

Q.—Who is "S."? A.—Well, I don't know. There was a man by the name of Stewart there in the draughtsmanship office.

Q.—I understand that that red "S." means that it is in suspense, and no ruling was made on it? A.—It means what?

Q.—In suspense? A.—That letter was never before me.

Q.—How is it that P. Welch comes to ask you what price you are paying for culled ties? A.—I don't know.

Q.—Why is he asking you that question, do you know? A.—No, I don't know. I really don't know.

Q.—That is Exhibit 136.

Mr. Hanes: Did you say, Mr. Callaghan, that you did not purchase any ties for Mr. P. Welch? A.—Myself?

Q.—Yes. A.—Certainly not.

The Secretary: Who is producing that letter?

Mr. Taylor: Mr. Callaghan.

Mr. Maclean: Let me see the letter. We were not putting it in for any particular purpose.

Mr. Taylor: It was produced by Mr. Callaghan.

Mr. Maclean: Yes, it is from our custody. And where is the reply?

Witness: Some clerk has put that away on the files and I have never seen that letter. If I had seen that letter I would have put a check-mark on it.

Mr. Taylor: The next letter I will have to read into the notes as we have no copy of it.

Mr. Maclean: Have you no reply to that letter?

Mr. Taylor: No, I have not got it here. You are producing it. I am not producing the replies. You should know whether you have a reply or not, and if you have I should like to see it.

Mr. Maclean: What do you mean by saying that we are producing it?

Mr. Taylor: Exactly as I say.

Mr. Maclean: You asked for that letter, didn't you?

Mr. Taylor: Certainly.

Mr. Maclean: When you ask for a letter you put it in, and it is your production, not ours, then.

Mr. Taylor: We won't waste time arguing it. Now, this is a letter, Callaghan to Merriam; which I shall have to read into the notes. It is from John Callaghan to H. M. Merriam, Divisional Engineer, Lillooet, B.C. "DEAR SIR—

Mr. Maclean: What is the date of it?

Mr. Taylor: May 7th, 1914. It is not filed as an exhibit, but it will be read into the notes, reading as follows: "DEAR SIR,—Replying to yours of the 4th instant, you should observe the specifications in regard to the inspection of ties. The Company will not accept for payment anything but No. 1 and No. 2 ties, and I wish you to see that the ties are up to the requirements of No. 1's and No. 2's before they are accepted. If the number of 2's exceed 15 per cent., you can give the tie-maker a statement for whatever number he has. This, as well as not peeling the ties, will be the only change we will make from that required by the specifications. In case P. Welch has made an agreement with tie-makers to take cull ties, you can show these for the information of P. Welch in settling with the tie-makers.—Yours truly." Now, these words are written in ink: "In case P. Welch has made agreement with tie-makers to take cull ties, you can show these for the information of P. Welch in settling with his tie-makers." As a matter of fact, whilst you wrote that letter in that way, you actually paid for the cull ties to Mr. P. Welch, as you told me a few days ago, at 50 cents apiece, didn't you? A.—I don't know altogether about what ties they were.

Q.—You told me the other day you paid for all cull ties at 50 cents apiece? A.—If we used them, I presume we did.

Q.—You used thousands and thousands of them and there will be no trouble about that feature. A.—Well, I may say this: that our specifications are somewhat different than other roads with regard to these ties, and what would be No. 1's with some roads would be culls in our specifications.

Q.—Whatever you mean by culls, that means "culled by the engineer," and that means you? A.—Yes.

Q.—You are writing here that your engineer shall only accept your No. 1's and your No. 2's, and you are only keeping track of the culls for the information of P. Welch, and in spite of that letter you paid P. Welch for his cull ties, and used them in the road-bed at the rate of 50 cents apiece? A.—Yes; if they were used they would be paid for. And it may be also that there were cull ties used that were not paid for. I am not certain about that.

Q.—But the specifications, Exhibit 9, produced by you—the blue-print specifications, on page 2 thereof, read as follows: This is the tie specifications. "The decision of the Railway Company's engineer as to whether the ties conform to and are delivered in accordance with the

terms of this contract shall be final. Culled ties must be promptly removed from the Railway Company's premises, except where—has agreed to purchase them." A.—Yes.

Q.—Now, you see that there is a provision with the tie-makers that they have to remove the ties from the Railway Company's premises, except where blank refuses to purchase them. I suppose that would mean P. Welch? A.—I suppose that would mean the contractor.

Q.—P. Welch? A.—There are no bad ties used in that road.

Q.—The next letter I file is the divisional engineer—it does not say who—yes, it is Crysdale. It is C. I. C.

Mr. Maclean: Is this Exhibit 137?

Mr. Taylor: Yes. It is a letter to P. Welch, which will be Exhibit 137, and is dated July 28th, 1914.

Mr. Maclean: From whom to whom?

Mr. Taylor: From the divisional engineer Crysdale to P. Welch, dated July 28th, 1914, from Cheakamus, B.C. "The following ties available from Station 853 to Station 235. A.L.S.S.," giving the numbers. There is a list here of them—No. 1's, 5740; No. 2, 2955; No. 3, 3665. "If the ballast north of the Cheakamus River turns out favourable, would advise you to have these picked up and laid so that they will not have to be hauled beyond the summit." That is Exhibit 137. And the next exhibit will be 138, which will be a letter from the chief engineer; and Exhibit 138 is the next Exhibit, which will be a letter from the Chief Engineer to P. Welch, dated January 20th, 1915, reading as follows: "Please note below statement made up by our tie inspector" (reads same). "Please note below statement made up by our tie inspector of ties made by Mr. H. Wulf at Mons, viz.:—

	No. 1.	No. 2.	Culls.	Totals.
"Hewn ties	29,010	19,698	18,202	66,910
sawn ties	195,470	2,953	13,237	211,660
Piled between piles .....	...	...	...	1,000
Approx. under piles .....	...	...	...	2,000
Approx. in lake .....	...	...	...	20,000
Totals	224,480	22,651	31,439	301,570

"The 20,000 in the lake are only approximate, as it is practically an impossibility to count them, and these will be withheld from the estimate until they are delivered according to specifications.

"The following telegraph-poles have been taken out by the same sub-contractor, viz.:—

No. Poles.	Length.	Lin. Ft.
188	25 feet	4,700
557	30 "	16,710
223	35 "	7,805
148	40 "	5,920
91	45 "	4,095

Total..... 1,207 39,230 "

That will be Exhibit 138. Could you file a statement showing as to the whole road up to date the number of No. 1 ties, and the number of No. 2 ties, and the number of culls used and paid for by your estimates on the whole road? A.—I don't know whether we could or not.

Mr. Hanes: Have you reports from your tie inspectors—you have, have you not? A.—Yes, we should have.

Q.—Well, I will ask you to file that statement. Will you keep that in mind, Mr. Callaghan? That is all as far as I am concerned, but the members of the Committee will probably want to ask you something.

Mr. Hanes: Mr. Callaghan, I would ask you to produce a statement of the acreage paid for the clearing at Lillooet. Perhaps this might assist you. Just take a look at that.

Mr. Taylor: What exhibit have we there?

Witness: I suppose the acreage is in here. I notice on that residency, which would be Residency 20, there would be 76.76 clearing paid for on the whole residency, and I presume the acreage on that residency would be at least 175 acres, and there must be 100 acres of the right-of-way where no clearing was allowed for there.

Q.—Let me see that again. I thought you would read off the figures that I referred to. I was referring to the station-ground.

Mr. Taylor: Mr. Callaghan is looking at the profile for that mileage? A.—At mileage 17 there are 5.01 acres allowed.

Q.—Mile 18? A.—That is the end of the profile in that direction. The clearing on Mile 18 is 11.89 acres.

Q.—And what is that for? A.—Well, in Mile 18; there must be at least a total right-of-way area, I would say, judging by the appearance of things, of at least 25 acres or 30 acres there, so that there would be apparently about one-third of it cleared.

Q.—I am asking you what that 11.5 acres is for? A.—It is for clearing on that.

Q.—On what portion? A.—We would have to get the cross-sections to see the details of how that was given.

Q.—What is that document and where did it come from? A.—It is our own profile.

Mr. Hanes: They were filed here long ago with the Committee. A.—The ordinary width of 100 feet of right-of-way—well, it is given there as 12, 12 acres to the mile; but here there is a lot of extra right-of-way to the mile. There must be almost double that here (indicating on profile). There is 11.5 acres of clearing allowed here. I would judge it would be in that case probably somewhere about half. The clearing would be estimated in proportion to what was there in that way. For instance, the right-of-way might be 100 feet wide, and the engineer would say, "Well, if we allow a width of 30 feet here it would be fair for the amount of right-of-way clearing to be done at, say, ten stations or two stations"—whatever it was, and he would go along in that way and would estimate what it would be fair to allow on the whole.

Mr. Maclean: And where are those profiles kept? Are they in the possession of Mr. Bullock?

Mr. Taylor: Yes; they are an exhibit.

The Secretary: They are a part of an exhibit, Mr. Maclean.

Mr. Maclean: I simply wanted to know where they were kept.

Mr. Hanes: Will you say that 11.5 acres is not for the Lillooet Station ground? A.—I could not say whether it is or not without looking at the notes and details of it.

Q.—I would ask you to look that up for the Committee. Now, with regard to the classifying, I would like to see what has been going on, or at least to see how the classification has been arranged, say, between yourself, or between yourself and Mr. Stoner on Fort George south—regarding the different classifications. A.—It is based on the principle of permitting a contractor to make a certain profit on certain lengths of work, and it would result in a very low classification by being enabled to do it that way.

Mr. Maclean: That is the sub-contractor you mean? A.—Yes; the sub-contractor is limited on those miles of work between Fort George and Quesnel and some other place south of there.

Mr. Hanes: Well, were you allowed clay cuts to be classified up to a certain percentage of solid rock? A.—Yes. These, you must remember, are clay cuts that required blasting in order to be taken out.

Q.—Yes, I understand; but the clay, which is of a soft nature, it immediately returns to clay when it goes into the dump? A.—Yes, on exposure to the weather, and becomes slack.

Q.—It is not much different to hard-pan? A.—It breaks up into blocks of 4 and 5 feet square.

Q.—And returns to clay in the dump? A.—Yes, on exposure to the weather. What would be buried in the centre I don't suppose would, but what is exposed on the outside would.

Q.—Now, how much percentage did you allow of solid rock, roughly? A.—My recollection is that it was about 10 per cent—10 or 15 per cent. on that part of the work at the outside, and a lot of it would probably be only 6 or 7 per cent., or something like that.

Q.—Didn't you allow up to 25 per cent.? A.—I don't think there is any up in that section of the work that is allowed for that high, but Mr. Stoner could tell more about that than I could. He made the final adjustment of that classification.

Q.—Now, what is your classification—or what is your system when you allow, say, 10 per cent. of solid rock in that? Would that be turned into the Government on the same classification showing 10 per cent. solid rock? A.—Yes.

Q.—And will you tell me, or tell the Committee, about how much it costs the stationman to take out that clay joint, or clay that you speak of? A.—Oh, a lot of that stuff; the stationman

would get probably 25 per cent. solid rock for; but it was afterwards reduced to 7 or 10 per cent.; something like that.

Q.—Well, I am asking you now, taking into account the price that the stationmen were paying for their supplies, and what they would pay out for wages every day, how much would you figure it would cost them to remove that clay? A.—I could not answer you that, because the resident engineer, or the assistant engineer, Mr. Stoner, would get the bill from the sub-contractor or from the stationman, and then on the basis of that they would make a classification to give that man some return on his labour.

Q.—Without any regard to the specifications? A.—Well, in a measure you might say that; but these specifications that we have printed are really drastic, and they are made that way for the purpose of keeping the contractor, you might say, in your own hands as to what classification he would get. For instance, we put in those specifications "indurated clay" and "gumbo" where in most cases they would have special specifications for those things, and there would be a higher price paid for them; but I put all that in our specifications under "hard-pan"—all these things—indurated clay and everything; it is all under the classification of hard-pan.

Q.—Well, in this case we are speaking of, you allowed 10 per cent. solid rock, you said? A.—Yes.

Q.—You admit that? A.—Yes.

Q.—Now, isn't it a fact that including the high prices that the stationmen paid for supplies and materials, that it only cost them from 50 to 55 cents a yard to take out this class of material? A.—I think that there is some correspondence that would show something like that, yes. I have seen some of the correspondence.

Q.—Well, when the Government is billed through the Company for that 10 per cent. solid rock, which was allowed, it means that the Government are paying—or, at least, I am asking you if it does not mean that the Government are paying 90 cents a yard additional for every yard of solid rock that you allowed—taking your own statement that you allowed for 10 per cent.? A.—Yes. It varies of course—

Q.—Well, I am asking you if that was not the case that we are discussing now. Take 55 cents from \$1.45, and it leaves 90 cents. It would cost 55 cents for the sub-contractor or stationman to take it out, and P. Welch was receiving 90 cents profit on it? A.—Well, that 55 cents would be an average of everything that is in the cutting. That is according to the correspondence I have on it; that was the average price of all the material that the man got. Now, it may be that there would be some earth in this estimate that he got paid for also.

Q.—Oh, yes, I realize that there would be different classifications. But I am asking you if on this 10 per cent. which you state you allowed as solid rock, isn't it a fact that if it cost 55 cents a yard to remove it on an average, as you say, in doing it in the manner you said you were doing it to help out the sub-contractor or the stationman, isn't it a fact that the Government are paying 90 cents a yard for that as well? A.—Possibly.

Q.—Well, you stated that that estimate was handed in to the Government showing 10 per cent. solid rock, have you not? A.—Yes.

Q.—Well, I am asking you, didn't the Government pay 90 cents a yard on that 10 per cent. that is classified as solid rock? A.—Yes; but I would say, quite properly so. The material taken out justified a classification of that kind.

Q.—You have already said that the stationman, in allowing them for supplies and material, and wages, for taking out this rock, it would cost them 25 cents a yard to take it out? A.—Yes.

Mr. Pooley: On an average.

Mr. Hanes: Yes, on an average.

Witness: Yes.

Mr. Hanes: Now, doesn't the same principle apply in other parts of the road where you allowed for a solid rock classification, where, as a matter of fact, there was not any solid rock? I mean, doesn't the same thing apply, that the Government has been paying for solid rock that does not exist at the difference in price? A.—It would not exist under the specifications possibly.

Q.—Well, that is a fact then, that that is the basis on which the whole road is classified? A. No, not the whole road.

Q.—Part of the road? A.—Well, there are places where it is necessary to treat it in that way.

Q.—Now, you said you had some prices on the cost of taking out that clay at, roughly, 50 cents or 55 cents a yard. Could you produce any letters or anything to show that? A.—Mr. Stoner, you have written some letters about that, it will be in the file somewhere—some time in 1914 probably?

Mr. Stoner: What is that?

Witness: You could look up your correspondence for, probably August, September, or October, 1915; there should be some letters in regard to those things.

The Chairman: Couldn't we have a statement showing, for instance, the amount—the average price paid to the sub-contractor for grubbing, say? A.—Well, you would have to get that from Mr. Welch. I would not have that.

Mr. Hanes: We will get that when we come to the next part.

The Chairman: I have been looking for them, and it is hard to get the average from these documents here. For instance, I notice in grubbing they pay in one case \$30 and in another case \$150, whereas the uniform price is \$300, and I would imagine that they could work that out with very little work so as to let us know the average paid to the sub-contractor.

Mr. Maclean: Just put in that statement, will you, witness, and explain what that is, and I will put it in as an Exhibit. A.—This is the final contract given to Smith, Ramsay & Swanson on the Grand Trunk Pacific Mountain Division, section No. 2, Mile 194 to Mile 208, British Columbia, July, 1914. In this estimate is carried 92,204 yards of solid rock at \$1.30 a yard. Naturally the final statement is made up when they put in a special classification—indurated clay at \$1.30 a yard—and they shift this 92,204 yards from solid rock to clay, and finally leave in the estimate 593 yards of solid rock, although at one time they had 97,000 yards. It just shows how this kind of material has to be treated if a man is going to have it done, and that was paid for at the solid rock price of \$1.30 a yard, and we cannot charge here more than they pay up there.

(Statement marked "Exhibit 139.")

Mr. Hanes: Do you infer from that, Mr. Callaghan, that you are going to reclassify this solid rock, and not charge the Government that price for it? Are you filing that with the intention of showing that you are going to undo this classification, and change the solid rock back to clay? A.—No; I am just filing that as an illustration of what it is necessary to do to get that kind of work done.

Q.—Notwithstanding the fact that you have filed that, you still maintain that the solid rock that the Government has paid for is going to remain that way? A.—Certainly.

Mr. Pooley: As it is done on every other road? A.—Yes, as it is done on every other road. We have made an extremely low classification on it.

Mr. Taylor: Mr. Callaghan, you have cited and so has your counsel cited several times this construction of the Grand Trunk Pacific under Mr. Kelliher was very expensive construction, and far out of proportion to other roads constructed in Canada, such as the C.P.R. and the Canadian Northern? A.—Yes; it cost more, I understand, than the Canadian Northern.

Q.—And the construction of the road in British Columbia was much more extravagant than any other road in British Columbia? A.—Well, I cannot say as to that altogether.

Q.—Isn't that a recognized fact? A.—The cost was higher apparently, but the work was done.

Q.—Now, isn't that the reason why you are continuously referring to what the Grand Trunk Pacific has done? A.—It is the only example we have where we can furnish the figures right now. But if I could have estimates—if I could have access to the estimates on the Great Northern, I could give you the same thing.

Q.—For instance, there would be lots of other illustrations you could give us; you have the Columbia & Western, the Crow's Nest, and the C.P.R. and its southerly branches? A.—Yes.

Q.—And the Canadian Northern, and the P.G.E., and the Grand Trunk Pacific; and why is it you refer only to this particular one? A.—If I had the C.P.R. estimates I could have shown you the same thing, where solid rock is given 100 per cent. for indurated clay.

Q.—Well, you don't say that because a thing is done on the C.P.R. it has to be done by you, do you? A.—Yes.

Mr. Pooley: Just give him a chance to show what has been done on the other roads.

Witness: You don't put engineers over that road who have been classifying things as trans-continental engineers would do. But any engineer who goes over it would say it is a low classification where this indurated clay appears on this line.

Mr. Taylor: Isn't it a fact that the main contractors, in handling trading accounts of this nature, usually make far more profits than the cost of overhead, so that you can eliminate a contractor's cost of overhead in arriving at the price he should get, and in comparing the price he got with what he had to pay? A.—No, I could not say that. I have heard it said that a sub-contractor's commissary will not very often pay for the time-keeper's wages on the work. I have heard that, but I have never heard what you mention.

The Chairman: What is that? A.—I have heard that the sales of the commissary will not pay for the clerk's wages and for keeping time.

Mr. Taylor: I say, isn't it a fact that the main contractor's profits on his commissary and trade account, and store account, etc., far exceed his overhead; and engineers take it as a rule that one thing balances another, as a matter of convenience? A.—I cannot answer that.

Mr. Hanes: Speaking of this classifying again, or the prices—

Mr. Taylor: Just a minute. That is an important thing to consider. You have to take the cost to the sub-contractor, and what it cost P. Welch to pay the stationman where he dealt with him direct, and you have his total price from the Pacific Great Eastern bills, and if you know that his overhead is taken care of by his trading accounts you can soon see whether he got a fair price or not. Supposing his price to the sub-contractor for grubbing was \$75 and he got \$300 for it—

Mr. Pooley: That is quite common with every railway contractor.

The Chairman: What practice are you referring to?

Mr. Pooley: The practice that Mr. Taylor is detailing.

Witness: The practice on this road is just the same, as far as classification is concerned, as any other railroad.

The Chairman: We are not talking now of classification. It is a question of the original price and the sub-contract price.

Mr. Hall: Did I understand you to consent to Mr. Taylor's suggestion? I thought you said, certainly.

Mr. Pooley: There is nothing in Mr. Taylor's proposition.

Mr. Taylor: Well, if there is nothing in that, Mr. Pooley, the witness will not assent to my proposition. My proposition was that the trading accounts of the main contractor are usually understood and treated by engineers as taking care of his overhead, and therefore it is not necessary to consider the main contractor's overhead when comparing the prices he had to pay with the amount he had to receive from the Railway Company in arriving at whether he was paid a fair price from the Railway Company; we have here the prices proved what he was receiving from the Railway Company, and we have what he was paying to have the work actually done; if, then, we do not have to consider his overhead on account of the profits he was making on the trading account, then we will soon know whether his price from the Railway Company was excessive or not. That is my point.

Mr. Hanes: Now, there are one or two questions I want to ask you in reference to these prices on the tract of road between Vancouver and Fort George. Isn't it a fact that in speaking of profits you have to take the whole line into consideration when it is all one contract? A.—Yes.

Q.—Well, then, we were discussing clay cuts south of Fort George, and you agree that the price for some of the clay cuts at least was around 55 cents to the actual stationman, don't you? A.—Yes, that is my recollection.

Q.—Now, the price in P. Welch's contract for hard-pan is 50 cents? A.—Yes.

Q.—Isn't it a fact, then, that the contractor would just about break even, or go a little in the hole in regard to that; that is, the general contractor; that is, if he received the proper classification under the specification, isn't that a fact? A.—If it costs the stationman 55 cents a yard, certainly there would be a loss. There would have to be a pretty wide margin between what it cost the stationman and what the general contractor would get to pay all the charges that would be on him, between his operation of it and the stationman, of course.

Q.—Yes? A.—It would be a big item.

Q.—Isn't it a fact that the profits on the whole line should be taken into account, before it can be argued in this particular clay cut that the Government, through the Company, should pay a contractor for 10 per cent. solid rock which, as a matter of fact, does not exist there? A.—Well, that is all done by the direction of the president as a rule. All this practice is the result of his instructions.

Q.—Now, the president was Mr. J. W. Stewart? A.—Yes.

Q.—And he instructed you to classify the clay at a certain percentage as solid rock? A.—Yes.

Q.—And what portions of the line did that apply to? A.—Oh, particularly between, say, Horse Lake and Fort George—between Horse Lake Summit and Fort George—not all of it.

Q.—And you say Mr. J. W. Stewart, the president, instructed you to classify a certain portion of that material as solid rock? A.—Yes.

Q.—Whereas, as a matter of fact, it was not solid rock? A.—Under the literal construction of the specifications, of course, it is not solid rock, but under the usual practice in railway-work it is.

Q.—Did he give you those instructions in writing? A.—No.

Q.—Now, have you the letters there, or any correspondence with any of the gentlemen, or with any of your engineers regarding the cost of the work up there, and how much you instructed them you would allow as solid rock? A.—Here is the letter. Do you want to read it?

Mr. Hall: Well, I think we might as well adjourn.

The Chairman: You might put that in if Mr. Hanes wants to look at it.

Session adjourns to 8.30 p.m., March 27th, 1917.

THIRTEENTH SESSION.

TUESDAY, March 27th, 1917.

The Committee of Inquiry herein met at 8.30 p.m. pursuant to adjournment.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, W. R. Ross, L. W. Shatford, and R. H. Pooley; S. S. Taylor, K.C., appearing as counsel for the Minister of Railways; H. A. Maclean, K.C., appearing as counsel for the Pacific Great Eastern Railway; Messrs. E. P. Davis, K.C., and J. N. Ellis, appearing as counsel for Messrs. Foley, Welch & Stewart.

Mr. Maclean: Will the Committee hear addresses of counsel before making its findings?

The Chairman: If this is to be a tribunal taking the place of a Judge and the place of assessors, no tribunal that I know of would make findings without hearing what was to be said by the parties represented.

Mr. Taylor: This is a matter, I may say, as far as I am concerned, gentlemen, where I consider it would be entirely out of place for me to say anything. I am not here supporting any case one way or the other; I am simply here on behalf of the Government to bring out the facts, and hence I have no argument to make.

Mr. Maclean: That is a very proper position for my learned friend to take.

The Chairman: If Mr. Maclean thinks that his clients have been in any way affected by this evidence, the Committee can decide what is to be done.

Mr. Maclean: There are certain points here which ought to be considered from the point of view of my clients, it seems, before you make any findings.

The Chairman: Well, I presume we don't have to consider or decide that to-night.

Mr. Maclean: Well, I simply mention it because I saw it in the paper. It was mentioned and I did not catch it here, that you intended to make an interim report.

Mr. Ross: Simply consisting of the copies of evidence.

The Chairman: And that has been made.

Mr. Taylor: By the way, is Mr. Tate here?

Mr. Maclean: Taking the question of the overpayment, it has been talked of here as overpayment, and my position is that it is an absolute misnomer.

The Chairman: Mr. Tate has presented that phase of the case.

Mr. Maclean: That goes to the root of the \$5,000,000.

The Chairman: Mr. Tate at the end of his evidence submitted quite a brief on that; I think there are about twenty-five pages of it. However, after thinking it over, I am rather inclined to hear any statement that you have.

Mr. Maclean: Anything that I have to say will not take very long.

J. Callaghan (witness) resumes the stand.

Direct examination continued by Mr. Taylor.

Q.—Mr. Callaghan, I just want to finish up with you now. I understood that we had to finish up with you in order to get through, and there are one or two things that I would like to ask you in addition. How much would the teaming that you have allowed for amount to? A.—Well, you could take that off the estimates; I cannot remember it now.

Q.—Have you any idea? A.—No.

Q.—It is a pretty large item? A.—It is, at least it should be, because there has been a lot of teaming done.

Q.—Now, if Exhibit 74 is to be followed, then you could not under paragraph 5, which reads as follows, allow teaming. Paragraph 5 reads as follows. Exhibit 74 is the timber structure specifications which are in dispute, and paragraph 5 reads as follows: "The prices of the different items mentioned are understood to cover all expenses incurred, including teaming and completing the structure ready for the rails to the satisfaction of the engineer." If that were followed you could not have allowed what you say now is a very large item for teaming throughout the work? A.—Well, I say that specification was never put into effect.

Q.—I say if it were in effect, you could not allow that very large item for teaming that has been paid; that is the natural interpretation of it; if that specification is to hold good, then that item of teaming could not have been allowed? A.—Yes, but the specification does not hold good.

Q.—That does not answer my question. I have been reading your evidence, and I notice that is the way you answer that proposition every time you come to it. You understand you have made yourself clear many times on that point.

Mr. Maclean: He has also made himself clear that neither teaming nor false-work could be allowed if that could hold.

Mr. Taylor: This is Exhibit 74.

Mr. Maclean: Yes.

Mr. Taylor: I take it that you agree with your counsel in that? A.—Yes.

Q.—Now, the exact amount of the teaming could be taken from the estimates, you said? A.—Yes.

Q.—By that you mean the Government estimates, the ones that were returned to the Government? A.—Yes.

Q.—Do you remember Mr. Oliver's visit to you on the 13th day of February, 1917, which you have referred to before? A.—Yes.

Q.—You received a telephone message from Mr. McIntyre, of the Department beforehand, saying there was going to be that visit to you? A.—Yes. He said he was coming over to look into those statements.

Q.—Just tell me what Mr. McIntyre told you over the long-distance telephone? A.—He said there was some question about the excavation in these foundations in the estimate that was given. There was quite an item for excavations in foundations.

Q.—Yes; what else? A.—And that he was coming over to look into it on Monday morning.

Q.—What do you mean by "he"? Mr. Oliver or himself? A.—Mr. McIntyre was coming.

Q.—Mr. McIntyre? A.—Yes.

Q.—Did Mr. McIntyre tell you over the telephone that time that there was any other question going to be investigated at that time? A.—No, that is the only question he mentioned to me.

Q.—Just the excavation in the crib foundations? A.—And he said something about the details of the estimate, and the excavation in foundation.

Q.—Did he say anything about the extra timber in the bridges? A.—No, he did not.

Q.—Did he mention that Mr. Oliver was coming over with him? A.—No.

Q.—Or that he might come over? A.—No, he didn't say anything about it.

Q.—You have stated as fully as you can what Mr. McIntyre did say to you over the long-distance telephone? A.—Yes, that is my recollection of what he said; it was late at night.

Q.—As a result of that, did you do anything in your office before Mr. McIntyre or Mr. Oliver got over there? A.—Yes.

Q.—What did you do? A.—I had the chief clerk and Mr. Anderson get out the estimate.

Q.—Mr. Anderson is the gentleman who has been here at this inquiry? A.—Yes.

Q.—Although he may not be here now? A.—Yes.

Q.—What is his full name, please? A.—W. D.

Q.—Get out the estimate and what else? A.—He got out the cross-section sheets.

Q.—Yes; what else? A.—He got out the cross-section sheets and the estimates, to look them up and see what the condition was up there, and he found out that they had allowed this excavation and retaining-cribs as foundation, and also it was apparent from the sections where the bridge excavations were made the entire excavations would not be shown on the section that was drawn there; and searching further it was apparent that they had plotted slopes of these on another sheet and estimated that as grading.

Q.—Now, you found this all out before Mr. Oliver got there? A.—Yes.

Q.—In your own office? A.—Yes, we found it out in that way.

Q.—Had you any other purpose in going over the papers; had you any other purpose in going over the papers before Mr. Oliver arrived on the scene? A.—Yes. I wanted to be in a shape to answer him and tell him what the position was there.

Mr. Maclean: He did not know anything about Mr. Oliver coming at that time.

Witness: It was Mr. McIntyre.

Mr. Taylor: Had you any other purpose in going over the papers than what you have now stated? A.—No; I went over the papers so that I could tell him just what the position was in regard to this excavation.

Q.—Did you make any statement as to your purpose in going over these papers to either Mr. Anderson or any one else in your office? A.—I don't know what statement I would make, anything more than I wanted to get these things out and examine them, and see what the condition was, and see what the estimate was in respect of that item.

Q.—Is that the full statement you made to them as to the reason you had for getting these papers out? A.—Yes. I wanted to see what the trouble was, if there was any there.

Q.—Another thing with regard to the surfacing difference that we discussed this afternoon, and which was discussed in Mr. Thomas's letter, quoting Mr. Tate, and other letters from Mr. Thomas; it was there placed at \$61,000, and that was two years ago. Now, if Mr. Thomas were correct in that sum of \$61,000 then, that sum would be now a difference exceeding \$120,000, wouldn't it, on basis that Mr. Oliver was discussing it then, and eliminate the idea that Mr. Stewart changed the agreement on the 20th of November, 1915, and assuming that the agreement had not been changed, that difference now would be in excess of \$120,000—the surfacing difference? A.—Well, I don't know. That could be found out from the estimate also. I don't remember about it.

Q.—Is that your opinion? Assuming Mr. Thomas was right in that \$61,000—that this dispute now, on the same basis that he was discussing it, would amount to over \$120,000, wouldn't it? A.—Yes; if the estimate has been doubled in that time, it would.

Q.—Yes. A.—If the estimate has been doubled, it certainly would.

Q.—You were to produce a roundhouse plan, the water-tanks, turntables, section-houses—the plans of that, with bills of materials attached. That is all. When they are produced and filed that will be all as far as I am concerned.

Mr. Hall: Well, just a moment, Mr. Callaghan. I see a report here of the Department of Railways. I presume that report refers to the Pacific Great Eastern Railway. I suppose that report was supplied by your Company? A.—Yes, I suppose it was.

Q.—And in reference to the ties—or in reference, rather, to the docks at Squamish, were the ties in that dock those that you referred to as having been procured at 6½ per cent. this morning?

Mr. Hanes: The piles you mean?

Mr. Hall: Yes, the piles. A.—Well, the piles that we were speaking of this morning were used on the North Arm of Burrard Inlet at North Vancouver.

Q.—How much did you pay for the piles at North Vancouver for the Squamish dock? A.—I don't know. You could see that by the estimate.

Q.—How do you know the price of those at North Vancouver and don't know the price of these here? A.—Because I inquired specially into the prices paid at North Vancouver. There was a lawsuit on and I went into the bills, so that I could state in Court what was being paid.

Q.—Now, you know the shareholders in the Pacific Great Eastern Railway? A.—Yes, I have heard them mentioned.

Q.—When did you first know that? A.—I don't know exactly—you mean Foley, Welch & Stewart?

Q.—Yes. When did you first know of their being connected with this Company? A.—Oh, it is likely I just seen it in the newspapers that they were the head of the Company.

Q.—When? A.—Oh, probably it was at some Board meeting; they usually publish the proceedings of the Board.

Q.—As far as you are concerned, you have known it since the inception of the Company? A.—I knew that Foley, Welch & Stewart—

Q.—Were the Company? A.—Were the Company, yes.

Q.—The Pacific Great Eastern? A.—Yes.

Q.—From the beginning? A.—Yes.

Mr. Maclean: I want to go into the classifications south of Fort George again, as Mr. Hanes has gone over it the second time, and I do not think he has got the thing straight yet.

The Secretary: What do you mean by "straight"?

Mr. Maclean: I mean by "straight" that he has not got the facts in proper shape. They are certainly not as we had them before.

Mr. Hall: That is an unfortunate expression, Mr. Maclean. Owing to the way Mr. Hanes asked his question, you mean that Mr. Callaghan has not given a full explanation.

Mr. Ross: You were not suggesting that everything in Fort George was crooked—that is what you meant?

Mr. Maclean: No, not at all. Now, just go on and tell what was done in connection with that classification of the indurated clay south of Fort George? A.—Well, to enable the stationmen to make wages that would keep them on the work and get it finished, we gave them a classification of solid rock—a percentage of solid rock classification in that material. Then after the stationmen were all settled with, the classification was reduced for the sub-contractors.

Q.—Yes. A.—And the sub-contractors' estimate, of course, is the estimate that was given to P. Welch.

Q.—To P. Welch? A.—Yes. It is reduced from what the stationman got.

The Secretary: Well, who requested you to make that separate classification for the stationman? A.—Mr. J. W. Stewart.

Mr. Maclean: From your answers this morning it might have been thought that P. Welch was paid on the classification that was given to the stationman? A.—Oh, well, he was not.

Mr. Hanes: Are you through, Mr. Maclean?

Mr. Pooley: Wait a moment—I just want to ask a question on the same point. You said something this morning about the final estimate of the Grand Trunk Pacific? A.—Yes.

Q.—On the same question as clay—you were speaking of clay and solid rock? A.—Yes.

Q.—Where the clay-work was allowed as solid rock? A.—Yes.

Q.—That was the case? A.—Yes.

Q.—Who was the contractor on that work? A.—Foley, Welch & Stewart.

Q.—Now, was that estimate passed upon by the Government engineer? A.—Yes.

Q.—And was it allowed in that way? A.—Yes. That was passed on by Sir Collingwood Schrieber.

Q.—He was the Government engineer? A.—Yes.

Q.—That is the same class of work that you had? A.—Yes, the same class of material.

Q.—Which you had on the P.G.E.? A.—Yes.

Q.—And on which you were allowed the same classification as solid rock? A.—Yes. For years on the C.P.R. the practice has been to classify solid rock, but when the work advanced down the Fraser River Valley, and the Chechaco Valley, where this material almost predominate

ated. they made a classification for it separately, but they made the price for it just the same as the solid rock.

The Secretary: And was the price made after a conference with the constructing engineers on the Grand Trunk Pacific? A.—Well, I know the price for the indurated clay was made.

Q.—But that is a totally different proposition to what we have here, because there the people who were paying for it were taken into consideration, and discussed the matter, but here the classification was changed without any consideration to the people who were paying for it.

Mr. Pooley: But Foley, Welch & Stewart were interested in both cases. They were getting paid in both cases.

Mr. Anderson: Yes, but Foley, Welch & Stewart are in a totally different position, in so far as the P.G.E. are concerned, than they were on the Grand Trunk Pacific. On the P.G.E. Foley, Welch & Stewart were doing their own engineering, and were making up their own estimates, but on the G.T.P. they were simply contractors and the engineering was done by independent engineers.

Mr. Pooley: And allowed.

Mr. Hall: There is no evidence that they were precisely the same.

Mr. Anderson: There is no comparison between the two cases—between the engineering on the Grand Trunk Pacific and on the Pacific Great Eastern; I mean as to the independency of it. You will admit that? A.—Well, as far as I am concerned, of course I knew Mr. Stewart was the president of the Company, and we see now that he was also a contractor—

Q.—Well, just a moment: You don't mean to pretend that Foley, Welch & Stewart in working as contractors on the Grand Trunk Pacific were the same as Pat Welch on the P.G.E.? A.—Well, we suppose that it was; but as I say it was a thing that had never been actually stated.

Q.—Well, I am asking you this question: there is no comparison between comparing the Grand Trunk Pacific and the Pacific Great Eastern? A.—No.

Q.—I mean with regard to engineering and making up the estimates? A.—Well, no; but it is just as necessary to pay for the work done on the Grand Trunk Pacific as it is on the Pacific Great Eastern. You cannot do work here for nothing.

Q.—Yes, but there is a difference in the way of doing it under an independent engineer, and under a contractor where he has his own engineers? A.—Well, so long as the result is the same, I do not see that it matters. The work had to be paid for in any event.

The Chairman: Are you suggesting here, Mr. Callaghan, that the engineer on the Pacific Great Eastern was just as independent as the engineer on the Grand Trunk Pacific? A.—Yes.

The Secretary: Well, I don't see how, if Foley, Welch & Stewart were the contractors and were also the Pacific Great Eastern, and were doing their own engineering—how is it that they were as independent on the Grand Trunk Pacific as the Pacific Great Eastern, where the work was done by the contractors and the engineering done by an independent party? A.—There is no difference that I can see in the situation; so long as it is done on the basis of fairness, it would not make any difference so far as I can see.

Q.—Well, that leads up to the human element, doesn't it? A.—Well, in this case we really held that work down away below what any other railway would have done in the way of cost.

The Secretary: But on the Grand Trunk Pacific you were being inspected by another independent party—namely the Government—which was not carried out on the Pacific Great Eastern? A.—Well, the Pacific Great Eastern work was the same class of material, and considering that it was the same class of material, the cost as between the Pacific Great Eastern and the Grand Trunk Pacific, it is 50 per cent. less here; and I will pay the price of an independent engineer to go up and take an estimate of the Pacific Great Eastern work so that he can compare the difference between that and the Grand Trunk Pacific, and let him make a report in connection with the matter.

Q.—But you will admit that it is most irregular for any railway contractors to do their own engineering, and it is not the practice for that to be done? A.—Well, I do know it was done in connection with the Seattle & Eastern construction.

Mr. Maclean: This was the case of an owner losing so much by giving these people more than he was getting.

The Secretary: Did they pay the same price there? A.—Well, I could not say, but the officers of the construction company were the same thing.

Q.—But that is a totally different thing where some one else is paying for it? A.—So long as they don't pay too much, I don't see that it makes a particle of difference, so long as the thing is done fairly.

Q.—Well, you might say that it is done fairly, and all that kind of thing; but it is no way of doing the work, such as it was done here. A.—Well, it was the cheapest work.

Q.—But it is not the regular practice to do work like this, and for the man who is doing the work to do his own estimating as has been practically done on this road? A.—Well, everything has been fairly and cheaply done.

The Chairman: What is supposed to be a fair profit for a contractor to make on railroad-work?

Mr. Maclean: On the whole thing?

The Chairman: Yes. What would be considered to be a fair profit? A.—Well, I don't know that I could answer that.

Mr. Taylor: That is where he has his own trading accounts? A.—I don't know that I could answer it.

Mr. Hall: Referring to that matter that Mr. Maclean mentioned—

Witness: This matter of profits, you know, is a difficult thing to answer, because if a man ships in an outfit on the railroad, what might appear to be his profit when he had finished that work would not be that at all, because he has to go and find another job after that, and it might take a year or two to find another job, and then he has to shift that outfit to the other work.

The Chairman: Well, this outfit they had on the Grand Trunk Pacific. Now I ask you what money the railroad people in that business would consider to be a fair and good profit on their work? A.—Well, you would have to ask the contractor that. I really could not say what would be a fair profit for a contractor to make, considering everything that is necessary to be considered.

Mr. Hanes: Did I understand Mr. Maclean to state here that he did not mean to use those words that he used in reference to myself?

Mr. Maclean: I said that I wanted to get these facts straight. I was not reflecting on you in any way, but I said that you had not brought them all out in such a way as to show their proper sequence.

Mr. Hanes: I will ask Mr. Callaghan some further questions. I understood you, Mr. Callaghan, to swear this morning that you had allowed 10 per cent. solid rock in these clay cuts, and that appeared on the estimates which came into the Government through the Company; is that not a fact? A.—Certainly. Whatever was allowed came to the Government in that way.

Q.—Well, that information was brought out correctly, was it not? You stated that correctly. I am asking you this question? A.—I said whatever classification was given to the contractor on that work it certainly would have gone through to the Government.

Q.—Well, now, just assuming this, that the information was brought before this Committee that in these clay cuts—in the pebbly clay cuts which are under discussion—that the yardage amounted to a million yards just in those cuts, and assuming that 10 per cent. solid rock had been allowed and had gone through the estimates, and assuming what we did when we were discussing it this morning, that it actually cost about 53 or 55 cents a yard to take that material out, I will ask you this: If that could be proved, and if that had taken place, that would mean that Mr. P. Welch drew \$90,000 for the amount of material, which would figure out at the rate of 90 cents a yard—taking it that there were 100,000 yards of rock, it would be paid for at the rate of \$90,000? A.—No. The 53 cents was to the stationman.

Q.—Yes, to the sub-contractor. A.—And then there would be some further cost.

Q.—Well, add on whatever balance you wish to add in addition to the 53 or 55 cents. A.—At the very least calculation it would be 25 or 30 cents a yard.

Q.—Well, if you allow it at 25 cents a yard, that is 70 cents.

Mr. Hall: Oh, no, that is 80 cents.

Mr. Hanes: Well, I don't care what it is so long as we get at it; 80 cents from \$1.45 would be 65 cents a yard, and taking 100,000 yards which this Government paid for, it would be an overpayment of \$65,000 according to the contract, wouldn't it? A.—If those were the facts it would be that, but I don't say that they are.

Q.—Well, I mean to say, Mr. Chairman, since Mr. Maclean has gone into it—it was the intention, anyway, that this matter should be fully gone into, and I was just trying to arrive at the basis of the classification this morning on this railway, and I state to the members of the Committee that it may be that there is a very large yardage of this nature which has been paid for on this class of classification which we have been discussing, and my questions this morning were asked in perfect faith and with the very best of intentions, and I think it is a matter for this Committee to consider yet through other evidence—which will be evidence which we can rely on, I hope—as to what the overpayments have been in this classification.

Mr. Taylor: In regard to this teaming I referred to, I want to put in the evidence the questions asked by Mr. Brewster of the Honourable Minister of Railways, and which were answered on the floor of the House on the 8th day of May, 1916, as found in Exhibit 66, being the Proceedings of the House, 1916, at page 123, reading as follows—

The Chairman: Who was the Minister of Railways at that time?

Mr. Taylor: The Honourable Mr. Taylor. Mr. Brewster asked the Honourable Minister of Railways the following questions:—

(1.) "What amount of money has been paid the principal contractor for the construction of the Pacific Great Eastern Railway on account of overhaul of construction material at \$1 per ton per mile?" The answer is, "\$94,872.21."

That was May 8th, 1916. The second question is, "Does this overhaul charge cover the cost of transporting rails, spikes, ties, or other construction materials by train along the line of the Pacific Great Eastern Railway?" "A. No."

(3.) "What part of this overhaul charge is for train-haul of materials?" "A. None."

(4.) "What is the amount for each class of such materials?" "A. Answered by Nos. 1 and 2." So on May 8th, 1916, the Government had paid \$94,872.21 for this teaming which was called "overhaul" per ton per mile.

The Secretary: Mr. Callaghan, I don't exactly understand the organization which you had with regard to your engineering on this road. You state the resident engineers made certain classifications, and they were put into the estimates, and you don't know anything about those estimates. Now, isn't it the usual practice, where you have divisional engineers (and you say you have divisional engineers), for those divisional engineers to check up the resident engineer, and for the chief engineer to go over the road at certain intervals and take his resident engineer with him, and check up the classification as the work proceeds? A.—Yes, that is done.

Q.—That is the usual practice, isn't it? A.—Yes, that is done in a general way.

Q.—Well, that is the usual practice? A.—That is all done by conversation with the divisional engineer. He tells you what is done, and you take it for granted that that is what has been done.

Q.—Well, as you proceed over the road, didn't you pick up your divisional engineers at each division, and go over that division with him? A.—Yes.

Q.—Well, you ought to know what the classification would be? A.—Well, I would.

Q.—Well, you say you don't know anything about the estimates? A.—We know about them, if a man says, "I am giving him 15 or 20 per cent. solid rock," or whatever it is, in a certain cutting; that is all. You don't write it down or anything; you simply take in for granted that is what he is going to do.

Q.—But you go through that cutting and see what is going to be done? A.—Yes.

Q.—And then you come back and say, "We are going to reclassify this work." Now, you should know what is going on if you adopted the usual procedure, in carrying that out with the organization, which you say you had. You claim you had divisional engineers? A.—Yes.

Q.—And these divisional engineers were over so many resident engineers, and they would check these resident engineers up. Now, it was certainly your duty to go over it at certain intervals with your divisional engineers to see what was going on with regard to classification, and so on, wasn't it? A.—Yes.

Q.—Isn't that the usual practice to do that? A.—Yes; but the classifications change every month practically in railways. The classification changes as the work opens up.

Q.—Well, you would see the classification and the work as it proceeded from the estimates? A.—Yes.

Q.—And would know the quantities that were going in? A.—Yes.

Q.—But you said you did not know anything about the estimates. You just accepted everything that was handed in. A.—There is a great deal of the work I would not go to see at all.

Q.—I don't understand why you would not see it. A.—Well, maybe only once or twice a year, because it might be remote.

Q.—Well, were you busy on location-work? A.—I had to look after the location and the preparation of all the plans, and any lawsuit or anything that was brought up I had to look after it also.

Q.—Were you paying more attention to the location part of the work than you were to the construction end of it? A.—No; I was paying attention to all of it—to everything. I had to do with the right-of-way, or with any arbitration, or any man who had a claim for arbitration, or irrigation-ditch, or a claim for damage to his land—everything like that. Then I had to give all the information to defend an action of that kind, or supply information so that a settlement might be made to the man. I had everything that involved the work in the construction of the line. I would have to look after all of that.

Q.—Well, did you ever make up any estimates as to the total construction of this road? A.—Oh, we have.

Q.—You have made them up yourself, have you? A.—We have made them up in my office.

Q.—Where are they; have you got them? A.—I don't know whether we have got any details of them here, but we have—yes, we have.

Q.—Who did you submit them to? A.—They were submitted to Mr. Tate.

Q.—And Mr. Tate has got all the estimates that you ever made up on the total construction of the line? A.—Yes; he should have them, yes.

Q.—You did not submit them to any one after Mr. Tate? A.—No, I don't think so.

Q.—He would have them all? A.—Yes, he would have them all. They would be fixed up for him.

Q.—Well, I was just trying to figure out how Mr. Gamble arrived at his total cost of the construction of the line from Vancouver to Prince George? A.—It is likely that he got some information from Mr. Tate. Possibly he might have.

Q.—Well, it would be from whatever estimate he made up; and you made up several, I suppose, at different intervals? A.—Yes, there have been at least two, anyway.

Q.—Well, whatever estimates you made up you submitted them to Mr. Tate? A.—Yes.

Mr. Hall: As I understand it, you say you gave the stationmen one classification, and then you changed that classification afterwards? A.—Yes, the classification would be reduced after that.

Q.—Now, who did that? A.—Some of the men under my direction. It is all done at my direction.

Q.—Well, who for instance? A.—Mr. Stoner I let do the work on some of it.

Q.—Yes; and who else? A.—And Mr. Crysdale did some of it.

Q.—Who else? A.—Those were the two men who were the divisional engineers at the last.

Q.—And where was that made? A.—That was made in their offices wherever they were—at Lillooet and at Quesnel.

Q.—And did you see those? A.—I knew what they were; I knew what they were at the time.

Q.—How did you know about it? A.—Through calling on them.

Q.—Any other way? A.—And through the figures that they would have of the standing of these contractors.

Q.—Well, did you call upon them every time there was a deduction? A.—Oh, no, not every time.

Q.—Well, did you have any correspondence about it? A.—I don't think there was much correspondence about it.

Q.—You say there was not much; was there any? A.—I don't know that there was any correspondence. There is some correspondence, all right, about the classification that might be given to stationmen, but as to the adjustments that were made after the stationmen had finished, I don't know there was any correspondence about it, because I used to get those statements from the general contractor and would take them with me, and would possibly leave them with the divisional engineer, and he would get those statements himself sometimes.

Q.—Well, what system did you have of making deductions? A.—The system was based on the profits the sub-contractor would be paid.

Q.—That is not the point I am getting at. As I understand it, you gave one estimate to the sub-contractors? A.—Yes.

Q.—And after that estimate was made, as I understand it, you reduced the commission—the classification that Mr. Welch got? A.—Mr. Welch and the sub-contractor would get the same classification.

Q.—They got the same? A.—They got the same; the stationman sometimes got a higher classification.

Q.—That was where, for instance? A.—That was where the bad work was—what we call bad work; the stationman would be allowed a higher percentage.

Q.—Now, on this work near Prince George that has been discussed, was that done through sub-contractors or through stationmen? A.—That was done through sub-contractors and stationmen both. Of course, the stationmen worked for the sub-contractor, and in some cases the sub-contractor would do the work himself.

Q.—There were sub-contractors on all of it? A.—Yes, there were sub-contractors on all of it.

Q.—Now, what records are there to show the deductions that are made? A.—Well, I handed some sheets in here the other day, made out from month to month, that would show the amount to the credit of the sub-contractor—where it was reduced. You will notice it in those sheets there, and on the others. Well, that would be due to some reduction in the classification, which, of course, reduced the value of the estimates that he would receive.

Q.—Now, just take this illustration, because it is so difficult to follow it. Mr. Hanes mentioned a moment ago a certain case. It came out this morning, I think, where you said the stationmen were paid a sufficient classification to let them break even? A.—Yes; to try and make some kind of wages for them, yes.

Q.—And to do that you would add a percentage of rock? A.—Yes.

Q.—And for the purpose of illustrating this, there would be 10,000 feet—or yards. A.—Yes.

Q.—Yards of rock. That would carry right through, I understand? A.—Well, you see that these estimates here are carried forward all the time. They start the first month with No. 1.

Mr. Pooley: A little louder, please; we cannot hear you.

Witness: I say that these estimates are what you would call carried forward all the time, from month to month. It is a total estimate all the time—a total estimate from the very beginning of the work; and whenever that was reduced the total would be reduced. For instance, if that was 10,000 yards in there this month, and it was taken out last month—or at least not taken out, but it was changed to something else, and it was put in at a lower price, it would go in with the total, and it would reduce the total and consequently reduce the amount.

Q.—Well, assuming at the end of their work they have to have 10,000 yards of rock to enable them to make a profit? A.—Yes.

Q.—That would mean that that classification for rock would stand? A.—Yes.

Q.—In order to let them break even? A.—Yes.

Q.—And there would be the difference they would get; they would simply get their 55 cents a yard, would they not, if they were paid 55 cents a yard right through? A.—I think they were paid 90 and 95 cents a yard, I believe, for solid rock.

Q.—90 and 95 cents? A.—Yes.

Q.—And Mr. Welch would get the difference between what you allowed them—whatever it was—between either 55 or 95 cents and \$1.45? A.—Yes.

Q.—For which no value was given to the Government? A.—Well, I could not say.

Q.—In other words, the system of letting them break even just broke even against the Government, didn't it? A.—Well, that was the system. That was what was done.

The Secretary: Could you give a copy of the estimates that you made on this total cost of construction? A.—Yes, I think we can.

Q.—Could you get that? A.—Yes.

Q.—And submit it to the Committee? A.—Yes.

Q.—That is as to the total cost of construction of the line from Vancouver to Prince George? A.—Yes.

Q.—I mean all the estimates that were ever made? A.—Yes, if we have them. I don't know whether we have them all now; the first we may not have. They would be made up, of course, from very inaccurate information, and we would not have the full information at the time we made the first ones.

Q.—No; but we made these estimates, anyway, on the total construction of the line. A.—Yes. There have been estimates made up.

Q.—Well, how many have you made up? A.—I don't think there were many; probably two or three—two or three.

Q.—Well, I would like to see copies of them, if you could produce them, Mr. Callaghan? A.—Well, I will try to do so.

Q.—When did you complete the location of the line? A.—Some time in 1914.

Q.—That was to Prince George? A.—Yes; it would be in the spring some time of 1914.

Q.—Did you put most of your time on the location-work? A.—Oh, it was divided up between location-work and construction and every other duty that fell to my office.

Q.—Were you mostly interested in location-work? A.—Oh, I was interested in both—location and construction.

Mr. Taylor: Mr. Callaghan, I have had your clerk produce a letter of October 2nd, 1916, signed by Mr. D'Arcy Tate as Vice-President, directed to you. Now, this was written, you will see, after the elections, and it reads as follows—and I want your explanation of it.

Mr. Maclean: What is the date of it?

Mr. Taylor: Pardon me, what will be the exhibit number?

Mr. Anderson: 140.

Mr. Taylor: I will copy it into the notes also. It is dated October 2nd, 1916, and it is from D'Arcy Tate, Vice-President, to Mr. John Callaghan, Exhibit 140. "Mr. John Callaghan, Chief Engineer, Vancouver, B.C. DEAR SIR,—As you are aware, the present Government is likely to resign office immediately after the 15th instant, and I shall be obliged if you will let me have at the earliest possible moment the estimate for the work done by the contractor during the month of September, in order that action may be taken thereon with the least delay.—(Signed) D'ARCY TATE, Vice-President." You complied with that request, I presume? A.—I presume we did.

Q.—Why was that done quickly before the old Government got out of power? Why didn't you trust to the honest Grits who were coming in? A.—You will have to ask Mr. Tate about that.

Q.—There is another letter that I have asked for, of April 25th, 1915. Is it here yet?

The Chairman: Are you going to call Mr. Tate on that letter, because I am rather curious to know what this letter means.

Mr. Taylor: Yes, I might ask him about it; and I want this other letter, Mr. Thomas; have you got it in your letter-book? I will take the letter-book if you have it.

Mr. Thomas: On what subject, Mr. Taylor? Our correspondence is not here; we file all that correspondence by subject.

Mr. Taylor: That other letter ought to be here in a moment, if you don't mind waiting just for a few minutes. Mr. Tate has to be called on another matter, and if you don't mind I will postpone that. I wish to call Mr. Kennedy now.

JAMES HENRY KENNEDY, being duly sworn by Chairman, testified as follows (examined by Mr. Taylor):—

Q.—Mr. Kennedy, you are sworn? A.—Yes.

Q.—Your full name, please? A.—James Henry Kennedy.

Q.—You are a civil engineer? A.—Yes.

Q.—With an extensive railway experience? A.—Yes, quite a bit.

Q.—And practising your profession for a great many years? A.—35 years.

Q.—You were employed by the Government in connection with checking up the estimates respecting the Loan Bill of this Province—respecting this railway, I understand? A.—Yes, I was.

Q.—What is considered a fair amount to allow above cost on force account, by way of percentage, above and upon the cost by force account, where the contractor receiving the force account has the benefit of trading, carrying on trade account, such as stores, haulage, and other matters of that sort? A.—The usual custom is 10 per cent. That is my experience.

Q.—Is it as high as 10 per cent. where the contractor has the right to handle his own stores?
A.—I have known it to be less, but I think 10 per cent.—

Q.—How much less have you known it to be? A.—Well, I have known it, I don't think on the same basis that you are driving at, if I understand it right, where they do all the work themselves.

Q.—Where the work is done by themselves? A.—Yes, 10 per cent.; I think that is all right.

Q.—Where they handle their own stores and do the work themselves. A.—Yes; I have a case in mind where a contractor got less, but they didn't do that, you know.

Q.—You have a case in mind; how much was paid in that case? A.—Well, it was only 3 per cent., but they really didn't do very much for it; they only had 3 per cent.

Q.—What is the reason they didn't earn more than 3 per cent.? A.—I am referring to the—

Q.—Did they do work through sub-contractors and stationmen? A.—Yes.

Q.—In this case of the P.G.E.R., the main contractor, P. Welch, did his work through sub-contractors and stationmen, and also got paid for haulage, and also handled store accounts, trading account; now, in those circumstances, what would be a fair percentage on force account? A.—Oh, it should not be less than 10 per cent.

Q.—That is, wouldn't it compare with the 3-per-cent. man you spoke of? A.—Oh, the 3-per-cent. man, he assumed the responsibility, and the other fellows did all the work.

Q.—Do you know what Foley Bros., Stewart & Welch received on the Winnipeg to Fort William force account—most of that work was done on force account? A.—No, I don't know; I don't know anything about it.

Q.—Taking stationmen as such, are they a class, or are they not a class of men who use plant of any kind as a rule? A.—They use some, yes.

Q.—As a rule, I say? A.—That depends, as a rule; sometimes they do, and sometimes they do not; it depends on the work they are on.

Q.—But as a rule do stationmen use plant? A.—Oh, yes, they use it.

Q.—Whenever they use it, where do they usually depend on getting it from? A.—From the contractor.

Q.—Hire it from the contractor? A.—Yes; he charges them rent.

Q.—Exactly. Stationmen are an absolutely necessary asset of a railroad contractor, are they not; they are the men who build the railroad? A.—They are the men; oh, yes, they are dependent upon them.

Q.—Depended upon by all contractors to build the railroad? A.—Depended upon by all parties to complete the work; every contractor, I think, has a following of stationmen.

Q.—Some work stationmen will not touch—as a rule, they will not touch certain work in railroad contracting, railroad construction? A.—Well, if you get work which requires a long haul, and that requires a lot of plant, they leave it alone.

Q.—Stationmen look for the more desirable work, don't they, such as the heavy rock cuts? A.—Always, they do; stationmen are like anybody else, they look for the easy money.

Q.—Exactly. He does not differ from some of the main contractors that we have heard about? A.—Well, I didn't intend it to be taken that way. (Referring to laughter in the room.) What I mean is that if there is a chance to make better than wages, he wants to do it.

Q.—Exactly. A.—If he can work and make better than day-wages, and come out all right, all right.

Q.—What I mean is this: The work that you cannot get stationmen to take is the work that costs the most in railroad contracting, isn't it? A.—Oh, yes; he has to do it himself, by day-work.

Q.—And if you go over a large railroad such as this one is, of 480 miles, and do the desirable work, and leave undone the undesirable work, as has been sworn to in this case, to a large extent, by Mr. Callaghan, I may tell you, then the work that has yet to be done for the reason that it is undesirable would cost more per mile, wouldn't it, because stationmen could not be obtained to take it over; that will necessarily follow, wouldn't it? A.—Well, I suppose it would. At the same time, I know this piece of light work, the way they were doing it, or the most economical way—

Q.—Which way are you referring to now? A.—I am referring to the P.G.E. Company.

Q.—What piece of light work are you referring to? A.—About twenty miles; that is what I have reference to.

Q.—Which twenty miles are you referring to? A.—The twenty miles about Horse Lake Summit.

Q.—I am also referring, I may tell you, to the amount of the work that is left between Lac la Hache, and we will say, Quesnel and Fort George. A.—I didn't see that.

Q.—This work that is along Anderson Lake; you have been there, haven't you? A.—Yes.

Q.—And along the other lake, Seton Lake? A.—Seton Lake, yes.

Q.—You could see there very plainly that there was a large amount of daylight-cuts? A.—Yes.

Q.—In heavy rock cuts? A.—Yes, heavy work.

Q.—And which should be at the price or sum which Mr. Welch has obtained here, exceptionally profitable work; is that right? A.—It ought to be good work.

Q.—I say, exceptionally profitable work? A.—I didn't see it before it was done.

Q.—\$1.45, at this price; did you see the work after it was done? A.—Yes.

Q.—\$1.45, and 94 cents? A.—Yes; it is good work.

Q.—Have you heard in any other case where that has been paid for this nature of work? That amount was paid to Grant, Smith & Company on the Kettle Valley Railroad for all kinds of rock, no matter how situated, 94 cents per cubic yard. Now, a man could not help but make exceptionally large profits in the kind of work that was around Anderson Lake and Seton Lake, could he? A.—Oh, it is a good price, all right.

Q.—The same applies to a large amount of rock-work done by this Railway Company, does it not? I think it is situated at Anderson Lake and Seton Lake, the other rock-work that has been spoken of by Mr. Gamble? A.—Yes; it is all good rock-work.

Q.—Poor rock-work consists in thorough-cuts with long hauls, as a rule? A.—As a rule it does.

Q.—Tunnel-work, as a rule, particularly at the price given here, is considered exceptionally good work, isn't it? Do you know the price given here? A.—Well, I have forgotten it.

Q.—I will just tell you. A.—I think it is somewhere about \$80.

Q.—No, it is more than that, I think; I am speaking now from recollection. A.—More than that, is it?

Q.—\$85; and tunnel timber lining, \$45. A.—That is all right.

Q.—That is a good price for tunnel-work, isn't it? A.—I think so.

Q.—Overhaul is well paid when it is paid at a certain price per cubic yard, isn't it; it is well paid for at 1 cent per cubic yard? A.—No, it is not.

Q.—You don't think so? A.—No, it does not pay. If you have a good plant, it will pay; that is my experience.

Q.—What price do you say is a fair price? A.—Oh, they never seldom or ever get more than 1 cent. That seems to be the standard price.

Q.—But it is 2 cents here; it is double that. A.—Well, that may not more than pay.

Q.—It may not? A.—There may not be anything in it—quite a bit of it at that figure.

Q.—Did you do any work on the Canadian Northern Pacific? A.—No, sir.

Q.—Don't you know, Mr. Kennedy, that in overbreak several or many of the railroads refuse to pay anything for overbreak; do you know that the Canadian Northern Pacific in their specifications do not pay anything for overbreak? A.—No, I didn't know that. I had nothing to do with that; I paid no attention to it; if I heard, I have forgotten it.

Q.—Is it not a fact in railroad engineering in British Columbia that when overbreak is paid for, or allowed to the extent of 20 per cent. of the rock taken out within the slope lines, that it is considered by engineers to be a liberal allowance on an average? A.—Oh, there is no standard; it all depends.

Q.—You probably didn't notice my question? A.—Maybe I didn't.

Q.—On an average, I said. A.—Oh, probably it amounts to about that.

Q.—20 per cent. is a liberal allowance, on an average? A.—That is only a guess; I might be wrong.

Q.—I can quite understand that; some locations would be more and some would be vastly less? A.—Yes.

Q.—But I am talking about a large mileage, in the construction of a considerable mileage, that a liberal allowance would be 20 per cent.; if you allowed 20 per cent. of the value of the rock taken out between the slope lines, you would be allowing a very liberal allowance? A.—At the same time, I have seen a great deal more.

Q.—Yes, but I am referring to the general practice, and not to what we have seen in this matter, or you might be saying in another case that you have seen 100 per cent. here, as Mr. Callaghan spoke of; but what I am getting at is, what amount is a liberal allowance in your opinion as an engineer of very great experience? Over a considerable mileage of track, is not 20 per cent. allowance for overbreak on the amount taken out between the slope lines a very liberal allowance for overbreak, on an average, for the whole mileage? A.—I think that the work I have been connected with would overrun that.

Q.—How much do you think? A.—Oh, I think it would go to 25 per cent., and probably a little more than that.

Q.—Have you ever done work in Ontario? A.—I have years ago, yes.

Q.—Railroad-work. You have not been working of late years in Ontario? A.—I was working thirty years ago in Ontario.

Q.—But not of late years? Mr. Callaghan and I had a discussion, in which we could hardly agree upon this, that daylight-cuts where the rock was wasted, as to whether or not those are the most profitable; as to whether or not that is the most profitable kind of rock work. What do you say about that—daylight-cuts, where the rock is wasted? A.—Yes, that is the most profitable in my opinion.

Q.—Mr. Callaghan and I could not agree upon that. The reason is that you get \$1.45, as in this case; you get \$1.45 for all the yardage of rock that is handled by the powder? A.—Yes.

Q.—Yes? A.—And you get rid of the haul.

Q.—Well, I say, handled by the powder? A.—Yes.

The Chairman: It gets blown into the lake, and that is the end of it? A.—Yes; a daylight-cut means a cut in the side of the hill.

Mr. Taylor: A triangle with the hypotenuse open to the atmosphere? A.—You take it all out to grade.

Q.—That is right, isn't it; my definition is a correct one, I think? A.—Yes, that is right.

Q.—Now, Mr. Callaghan said that you never located a railroad so as to have these daylight-cuts, if possible; do you agree with that; isn't it far more feasible—— A.—Are you sure?

Q.———advantageous to have a daylight-cut than it is to have a thorough-cut, and to have to handle the snow in the winter-time with a snow-plough in a thorough-cut? A.—Mr. Taylor, are you sure that you understood Mr. Callaghan?

Mr. Maclean: I have no recollection of that.

Mr. Taylor: We will assume that I did; the notes will show for themselves; I think I understood it, Mr. Kennedy; I am not reflecting on Mr. Callaghan, but simply quoting the evidence. A.—I consider that a fact, as you say, that the side-cut is cheaper.

Q.—And a railway, is it true, or is it not, that a railway will be located so as to make thorough-cuts, or cuts other than daylight-cuts, in order to avoid daylight-cuts; is that true? A.—State it again, please?

Q.—As I say, I may have misunderstood Mr. Callaghan. A.—You are getting on dangerous ground.

Q.—That is what I understood. A.—I don't know that I understand you now.

Q.—I understood Mr. Callaghan to answer my question in that way; he may have misunderstood me, or I may have misunderstood him. A.—I think there is some misunderstanding; Mr. Callaghan knows all about that just as much as I do.

Q.—If you say that now, in justice to Mr. Callaghan, I can leave it that way. A.—Very good.

Q.—Because that really answers my question, when you put it that way. It may be that we misunderstood each other. A.—I might say that if there is a tie-up on the rock, and you cannot make the fill, you certainly have got to get on to solid ground.

Q.—Oh, yes, you have to throw your line into the hill, so as to have the solid road-bed. But that is just as possible in a daylight-cut as it is in a thorough-cut, isn't it? A.—Yes.

Q.—No doubt about it, is there, so long as you get your road-bed, and track, whatever it is—one road-bed is as good as another, isn't it? A.—Yes.

Q.—It stands to reason. A.—I guess that is right.

Q.—Another feature upon which I think you have some knowledge. I understand that in order for the stationman or sub-contractor to be able to bid upon a piece of work it is necessary that he should have his profiles, location profiles, supplied to him, and the centre line staked out on the ground; that is the proper way of doing it, isn't it? A.—That is the proper way, all right. I don't know myself that it is absolutely necessary, but they are always suspicious that you are going to throw the line out, and they want to see the stakes, and they are run out; they want to see the stakes to know what they are——

Q.—Exactly; they are suspicious, but it is important to them to know the exact kind of ground that they have to work in for that particular price? A.—Yes, they want to know.

Q.—Exactly; that is the point that I am making, you see. Can you understand how it was that Mr. Welch was able to fix prices with regard to this railway from Fort George to Vancouver without knowing at that time even the country, or the location that the railway was going to have?

Mr. Maclean: That is not quite a correct way of putting it, as a fact.

Mr. Taylor: Will you state it for me?

Mr. Maclean: The evidence is that he generally did know that country, and the location was not changed to any great extent.

Mr. Taylor: I say, without knowing where the railroad was going, where it would go.

Mr. Maclean: He generally knew where it was going to go.

Mr. Taylor: It had not been located. I will put it in another way. I will see how Mr. Kennedy takes it. If you were representing a Railway Company, and representing it with the greatest desire to get a road built for a fair price by a contractor, in calling for competitive bids from competent and financially able contractors, that means the best contractors, such as Foley, Welch & Stewart, in that class, would you consider it a business proposition to ask them to bid on a road (you desire to get the best price possible from these best contractors) without letting them know more than that the road was going from Vancouver to Fort George, passing through Lillooet, passing through Clinton, and some place near Quesnel——

Mr. Maclean: And around Anderson Lake and Seton Lake.

Mr. Taylor: Well, I do not say that they knew it at the time. They did know afterward; and around Anderson Lake and Seton Lake; that is, passing through Lillooet, passing through Clinton, or somewhere near Clinton, and then going to South Fort George. Now, you as an honest capable engineer, representing the Railway Company, desiring to get a good road built for a fair price, and desiring to obtain competitive bids from competent railway men of the class of Foley, Welch & Stewart, having the financial ability to carry through their work, would you consider it a business thing to do to call for those bids, or to allow those prices to be fixed without locating the railway first on the ground? A.—Well, a man of Mr. Welch's experience; if he had seen that country, I think he was perfectly safe in making his bid.

Q.—I am not taking Mr. Welch's end of the matter at all, I am taking it from the Railway Company's end; they want to get a fair price on a competitive basis; I am not dealing with Welch; it is possible for the contractor to put such a price that he could not possibly lose in any country, knowing the general location that the road was going to take. But I am talking about it from your own, or the Railway Company's end, you desire to get Mr. Welch to build a road—would you, if you were representing the Railway Company, consider it a proper thing to do? A.—Yes.

Q.—In the interests of the Railway Company to ask for competitive bids without locating your railway? A.—Well, the right thing to do would be to have a survey made; at the same time, I don't see but you might get as good a result, because through that country, speaking from Squamish up, if any one had been through there, he knows just about as much as if he had seen a survey—a man of experience will get pretty near to it, as far as fixing prices is concerned.

Mr. Taylor: You have answered that from the standpoint of the Railway Company? A.—Yes.

Q.—All right, I think that is all.

Mr. Maclean: I suppose, Mr. Kennedy, as a railway engineer, you have had considerable experience in the construction of Howe trusses? A.—I have had some.

Q.—Now, would you tell me whether your experience is that false-work is allowed to the contractor in the construction of Howe trusses? A.—I think you people are all mixed up on that.

Q.—Well, probably; I expect we are; you just tell us about that, Mr. Kennedy.

Mr. Taylor: That depends on the specifications, you know.

Mr. Maclean: My idea is, I expect I am all wrong——

Witness: I expect you are; it came out in the paper all wrong, anyway; although I am not insinuating anything against them.

The Secretary: You will have to let Mr. Kennedy explain.

Witness: When you let a bridge, you pay for the timber in the trestles, and you pay for the false-work just the same as if it was there, as the rest of the trestle.

Mr. Maclean: Exactly. A.—Now, when you take that, when you erect your truss and your dump, you are done; you pay for a force account to your contractor for taking that timber out and piling it up. Now, that timber belongs to the Company; now what you do, when you go to the next bridge, you sell him back that timber. You see, some of it is good, and some of it is useless; but what is good is taken to the next, and the amount is charged up to him. Now, you don't charge it; it is not necessary to charge it until you get to the end of your job. Now, that same timber, or some of it, may be used over half a dozen times, and at the end of your job you charge him, you deduct that amount.

The Chairman: Deduct what amount? A.—Suppose you had 10,000 feet in the first bridge; when that is taken out, you may get 8,000 feet of good timber; the balance, you charge that up, you measure that up, but you keep an account of it, and you really sell it back to him, because you don't want to—when it goes to the next bridge you cannot tell that from the new timber that goes in; and it is charged up again in the next one, and so on; and when you come to the end, all these amounts that are become useless at each bridge is deducted from this estimate; it is simple——

The Secretary: What amount do you charge him, with the 8,000 or 2,000? A.—If there was 2,000 of this that you didn't have, you see, you wouldn't charge him with that; I don't know whether I am making myself clear or not. After they had used it in the first bridge, there is 8,000 left, and the second time a little less.

Mr. Pooley: Which do you charge up to him—the 2,000? A.—You keep an account of the 8,000, that goes to the next bridge.

The Chairman: And you charge that up against him, do you? A.—Charge it all up at the finish.

The Secretary: If you charge him with 8,000 on the first bridge and 6,000 on the next, that would be 14,000? A.—Yes, exactly; and you would take it from the total at the end; that is, adjust it.

The Chairman: That would offset the paying for it twice to that extent? A.—Yes, exactly.

Q.—We had no evidence that it was done in this case. A.—That is the usual course; that is my experience, and I think everybody does it.

Mr. Maclean: You have been over the railway-line between Squamish and Kelly Lake, Mr. Kennedy? A.—Yes.

Q.—What would you say as to the location of the road, whether it is properly location or not? A.—It is a good location; I consider it is a pretty good location.

Q.—Would you say it was located in order to make money for a contractor or anything of that kind, or would you say it is not a location of the road through pretty difficult country? A.—I think it is a good location; of course, they are crowded with curves, but to take those out would be an immense—would cost more than it is worth. But that road is all right; take round that location, it is the proper location, there could not be anywhere else a better; it is all right.

Mr. Pooley: These curves that you mentioned, do you mean around Anderson Lake and Seton Lake? A.—Pretty sharp curves round there; but it costs too much to take those all out. The railroad would not be worth it; I should say it would not be worth the cost.

Mr. Taylor: How sharp are those curves? A.—12 degrees.

Q.—What is the usual curvature on the C.P.R.? A.—Well, I don't know what it is now.

Q.—What is the curvature on the Canadian Northern Pacific; that is a fair comparison, built lately? A.—I don't know whether they have 12 degrees or not; they may or may not; I could not be sure.

Mr. Pooley: Has the Canadian Northern Pacific line any similarity to this line, as regards the curve around Seton Lake and Anderson Lake? A.—Oh, I think so. I think it must be 12 degrees, but I am not sure.

Mr. Taylor: What speed must you reduce your train to, in order to take a 12-degree curve? A.—No; I could not say offhand.

Q.—Very slow speed? A.—It is on a bend in the road, you know, that 12-degree curve, but it is good enough for the country.

Q.—How much percentage of the original cost would it take to make that curvature so that you can drive a train over it at full speed or at the speed of the C.P.R. on its main line in British Columbia? A.—That is a pretty difficult question.

Q.—I thought you could figure that. A.—I have not thought of it myself at all, though; it is a thing I have not thought of.

Mr. Davis: From what you know of the rock-work on the P.G.E.R., would you say that the figure of \$1.45 is an unreasonable amount for the contractor to get? A.—It is a good price, all right, but I don't know that it is unreasonable, considering; they built an awful expensive wagon-road up there.

Q.—Well, taking everything into consideration, I mean? A.—Oh, I think it is about the right price.

Q.—Do you know whether the Government have made any allowance in respect of the wagon-road, or taken it over—put it that way? A.—No, I don't know anything about that. I understood not.

Mr. Yorston: Are you the engineer that made the report to the Government? A.—Yes.

Q.—When you sent in that report, your first report, didn't you say that the evidence was that there had not been any locating engineer on the road at all, or something of that kind? A.—I didn't refer to that at all.

Mr. Taylor: By the way, that is on file; we will get that report. A.—Yes, I have it in my pocket.

Q.—Would you mind letting me have it, to save sending to the Department for it.

Mr. Yorston: And you changed your mind and took it all back again? A.—I thought you would come on to that question. (Referring to report.)

Q.—By to-morrow would you change your mind on the evidence you have given here? A.—No, sir, I never change my mind.

Mr. Taylor: Well, we can have that over to-morrow morning.

Witness: I know what it is, all right. (Referring to report.)

Q.—Then, there is one other thing I would like to ask you; assuming that this was the specification then, I am going to ask you, would you pay anything for the false-work? Listen to this paragraph, false-work: "It must be understood that the contractor's schedule of rates for Howe-truss bridges includes the cost of providing and removing such false-work as the engineer deemed necessary in the erection of these and similar spans for false-work." You would not allow anything for false-work there, would you? A.—Will you read that again?

Q.—"It must be understood" (repeating quotation). A.—I never saw that specification.

Q.—Supposing that were in the specification, you would not pay for false-work? A.—That would look as if you would not be allowed for it.

Q.—That is in Exhibit 74—timber structures—that we have been contending about, and Mr. Callaghan has been disputing, in face of the letters, that it applied to this work; that is, section 33 of Exhibit 74. A.—Oh, that is some mistake.

Q.—No mistake about it; the caption is, "Howe trusses."

Mr. Maclean: We say it is a mistake.

Witness: Looks like that.

Mr. Taylor: You do not want to say that it is not in Exhibit 74, Howe trusses, false-work?

Mr. Maclean: He said a man could not do it.

Mr. Taylor: It is in the specification; it is as plain as if written on a blackboard.

The Secretary: That is in the specifications.

Mr. Maclean: Not for this purpose.

Mr. Taylor: That has been argued by Mr. Callaghan. We have the letters and everything. That is the Howe trusses. Now, the timber structure specification. That is the paragraph which I may tell you I didn't bring to Mr. Callaghan's attention; I only brought paragraph 6. No question about it, is there? A.—Looks like that, but it isn't practical.

Q.—If you do pay for false-work on the basis that you were describing in your evidence to Mr. Maclean, do you pay for it at the same price that you pay for the timber in the finished structure of the bridge? A.—The same as the trestle-work; the same with the trestle-work.

Q.—What do you mean by that? A.—There is a trestle at each end of the span, you know.

Q.—Oh, I see. A.—And it is the same as the trestle-work.

Q.—But not the same as the truss-work? A.—No, no.

Q.—That is, at the lowest price, \$45 in this case, it would be? A.—\$45.

Q.—Then not \$55 or \$60.

Mr. Maclean: Are you finished, Mr. Taylor?

Mr. Taylor: Yes, I am.

Mr. Maclean: In connection with this false-work that a contractor erects over a stream, is it not frequently the case that it is carried away by the stream and not recovered? A.—Yes; that is the Company's loss then.

Mr. Taylor: Thank you; that is all, Mr. Kennedy. I file now—what is the next exhibit, please? 141; I file two letters written by Mr. Tate to Mr. Callaghan, and produced by Mr. Callaghan.

Mr. Maclean: Just one question there—

Q.—What price have you paid here, in British Columbia, Mr. Kennedy, for the timber in Howe trusses? A.—\$60. Well, I recollect one case that was \$60, but generally we let it by the foot, the running foot, which would amount to about the same thing. \$60 is comparatively low.

Mr. Taylor: Now I am filing, if you are through, Exhibit 141, a letter—I will put Mr. Tate's name to it; this is only a copy. Mr. Tate, Vice-President, to John Callaghan, Esq., April 25th, 1916, reading as follows: "DEAR SIR"—John Callaghan, Esq., Chief Eng., Vancouver, B.C.—"DEAR SIR,—Referring to your letter of the 24th inst. to Mr. Gamble, enclosing copies of estimates mentioned therein, embracing the information asked for by Mr. Brewster in the Legislature and appearing in the Orders of the Day No. 42, for April 20th, 1916. Referring to the item of overhaul, I would be glad if you would send me an explanation to account for the very large amount thereof, showing exactly how the figure is arrived at. I would like to be in a position to anticipate any further question that Mr. Brewster may put in regard to this item. Please see Mr. White and advise me if Carleton & Co. have been paid in full for the work done by them on the basis of the estimate enclosed with your letter above referred to.—Yours truly, Vice-President."

Another letter by Mr. Tate. I will take the liberty of putting his name here. Vice-President to John Callaghan, Chief Eng., Vancouver, B.C., April 26th, 1916. (Produced by Mr. Callaghan.) "Mr. Gamble proposes to leave here to-morrow night to accompany you to the end of track. In view of the questions that are proposed to be asked in the House regarding Quesnel election, I think it might be as well for you to return with him here so that we can consider in detail the form our answers should take, bringing with you all data that we will require on the subject.—Yours truly, Vice-President."

Now, those questions are the ones that I have referred to before; they are found on pages 117 and 118 of Exhibit 66, Proceedings of the House, 1916. I will read them:—

"Mr. Fraser asked the Hon. the Minister of Railways the following questions:—

"1. What steps did the Government take to ascertain whether or not the Pacific Great Eastern could be located through the townsite of Quesnel before approving the location laid out by the Pacific Great Eastern?

"2. If any steps were taken, by whom was the location made by the Pacific Great Eastern reported on?

"3. How and from whom did that person obtain his data?

"4. Did he make a report; and, if so, what was his report?

"5. When did Mr. F. C. Gamble, the Chief Engineer of Railways, examine the location of the Pacific Great Eastern line in the neighbourhood of Quesnel?

"6. What instructions (if any) were given to Mr. Gamble in respect of his examination, and by whom?

"7. In whose company did Mr. Gamble travel to make the said examination?

"8. What expenses did Mr. Gamble pay for transportation from Ashcroft to Quesnel?

"9. To whom did he pay them?

"10. On what days did he make his examination?

"11. How many hours on each day was he personally engaged on the ground making the examination?

"12. Was any survey of an alternate route of the Pacific Great Eastern line near Quesnel made by Mr. Gamble or under his instructions?

"13. If so, by whom, and when?

"14. If by a person other than Mr. Gamble, by whom was he employed and paid?

"15. If an alternate survey was made of the Pacific Great Eastern line near Quesnel on behalf of the Department of Railways, was the engineer who made the survey in the employ of the Pacific Great Eastern then or previously?

"16. Was Mr. Gamble's approval of the location of the Pacific Great Eastern line near Quesnel based solely or to any extent on data supplied by the Pacific Great Eastern?

"17. Did he have any data not supplied by the Pacific Great Eastern; if so, what, and how was it secured?

"18. Has Mr. Gamble give an estimate of the cost of acquiring a right-of-way through Lot 385, Cariboo District?

"19. If so, how did he arrive at his estimate, and from whom was his information obtained?

"20. Were the owners of Lot 385, Group 1, Cariboo District, ever consulted by Mr. Gamble as to price at which they would sell?

"21. Has the Chief Engineer of Railways or an engineer in his Department ever computed the cost of varying the location of the Pacific Great Eastern as approved and constructing the line through or touching the townsite of Quesnel?

"22. If so, by whom was such computation made, and when?

"23. Was the computation made entirely independent of the Pacific Great Eastern engineering department?

"24. If such computation was made, was full topography taken by the Department of Railways?

"25. If not, how was essential data obtained?

"26. On what date did Mr. Gamble submit his report on the location of the Pacific Great Eastern near Quesnel to the Minister of Railways?

"27. Was a copy of this report forwarded to the Pacific Great Eastern or any official thereof; and, if so, to whom, and when?

"28. Did the Minister of Railways write a letter dated May 28th, 1915, to the secretary of the Quesnel Board of Trade, stating that Mr. Gamble had 'left a man on the ground to see if it is possible to reach Quesnel by another route.'

"29. Who was the man 'left on the ground'?

"30. By whom was he employed?

"31. Was he then or at any previous time in the employ of the Pacific Great Eastern?

"32. Did he make a complete survey, taking all topography along an alternate route?

"33. Has he supplied the Department of Railways with the details of the topography?"

And the answers are at page 118. The one in connection with these questions. Exhibits 141 and 142.

Mr. Davis: In connection with the report of Mr. Gamble that he has been asked to produce from the Government, I would like to have produced also a letter from D'Arcy Tate to the Government, dated August 29th, 1916, and the enclosed letter from Mr. C. E. Cartwright on the same question, and then Mr. Kennedy's answer to the Government in connection with it.

Mr. Taylor: Mr. Kennedy, your answer was to the Hon. Lorne Campbell? A.—Yes.

Q.—I have it here, Mr. Kennedy. Now I don't know about the others; I will produce that one and see if you can produce the others. And then we will take the copies and file them.

Mr. Maclean: We have copies of them.

Mr. Taylor: This Exhibit 143 is Mr. Gamble's report, Exhibit 143, produced by the Department:—

"Vancouver, B.C., September 13th, 1916. Hon. Lorne A. Campbell, Minister of Mines, Victoria. DEAR SIR,—I met Hon. Mr. Bowser yesterday morning by appointment. He handed me a copy of a report made by Mr. C. E. Cartwright, C.E., on the location of the Pacific Great Eastern Railway in the vicinity of Quesnel, and asked me to proceed to Quesnel at once and make survey to sustain an adverse report I had made upon the same last June to yourself. This I was quite ready to do at once, but upon securing profiles from the Chief Engineer and reading Mr. Cartwright's report, I was quite amazed to find I had made my report upon a delusion which occurred unfortunately in this way:—

"When I was asked to make the examination last June I went to Mr. Gamble's office for information, maps, profiles, etc. Mr. Gamble very kindly advised that all information in his office was at my disposal. I examined some local plans and profiles which I wished to take and asked for a profile to be made for me to extend from a few miles north of Quesnel southward to the summit of the grade south of Quesnel.

"Unfortunately, I did not examine the profile prepared for me, or, if I did, I saw the end at Mile 4 showed a summit. At any rate, I do not now know at present whether I missed taking a part of the profile intended for me, or the party who prepared the profile made the mistake.

"The south end of Mile 4 is the end of a section of profile, and I found myself at Quesnel with this piece of profile only, which showed as a summit, and the grade which runs down a few stations on an 0.5 grade agreed with it very well. I naturally accepted this as the summit of the grade south, without any question. With this false assumption of summit of grade at the south end of Mile 4, I think it will be easily understood by any engineer that the present location was a pretty bad proposition, and with the uniformly good location of the railway at every place where I had occasion to look into it, I could not help the conviction that there was a nigger in the fence somewhere, and I looked for him everywhere except the right place.

"Though I looked more for the nigger than I did for an improved location, I failed to find him. He was so close I failed to see him. I regret this misfortune should have occurred. As the matter now stands, and with complete knowledge in my possession, and especially at this late date, I have no hesitation in approving the present location.

"My report was true from the false data from which I worked. The grade can be very easily carried down from the north into the town and good station-grounds and river crossing, and along the shore and over Rich Bar to my supposed summit apparent on both profile and on ground, and an apparent easily cut off summit at that.

"That is where Mr. Cartwright saw all manner of difficulties, while I, like the Emperor of Germany, saw the whole world at my feet.

"I agree with Mr. Cartwright in saying that the location of the Pacific Great Eastern Railway is uniformly good and a credit to the locating engineers, including the one who located the line at Quesnel, although I unfortunately did not neglect to hit him when I believed he deserved it. I hasten to retract it. The only redeeming feature in this unfortunate affair is the P.G.E. may gather from my critical report what to expect should they really deserve it while I hold my present job down.—Yours very truly, (Signed) J. H. KENNEDY." "Copy Hon. Mr. Bowser, Gen. J. W. Stewart, Mr. J. A. Fraser."

Mr. Maclean: What is the date of that report?

Mr. Taylor: 13th September, 1915, Exhibit 143. I file that first report as Exhibit 144. This is a very long one.

D'Arcy Tate recalled.

Mr. Taylor: Mr. Tate, you have read the report of your evidence contained in this bound volume of 302 pages? A.—Yes.

Q.—As it stands at the present time, corrected by each of us, is it a correct report? A.—As far as I know, yes.

Mr. Taylor: I would like to ask, Mr. Chairman, that inasmuch as many of these corrections are in my own handwriting, that this volume be put into the possession of the Secretary, and handed by him to the printer.

The Chairman: Adjourned to 10 o'clock a.m. of the following day, Wednesday, March 28th.

FOURTEENTH SESSION.

WEDNESDAY, March 28th, 1917.

Meeting called to order at 10.10 a.m.

Mr. Maclean: I have a couple of engineers here who are anxious to get away, and I would like to introduce their evidence at this stage; it would be a great convenience to them.

The Chairman: I have no objection, if the Committee are satisfied.

Mr. Taylor: You are calling Mr. Cartwright to-day?

Mr. Maclean: Yes.

C. E. CARTWRIGHT called and duly sworn, testifies (examined by Mr. Maclean):

Q.—Your profession, Mr. Cartwright? A.—Civil engineer.

The Chairman: What is your first name, Mr. Cartwright? A.—Connelly Edward.

Mr. Maclean: C. E. Cartwright? A.—Yes.

Q.—How long have you been practising your profession, Mr. Cartwright? A.—Since about 1885.

Q.—What railroads have you worked under? A.—I have worked on a number of them; the first railroad I worked on was a railroad in Nova Scotia, which is now a part of the Intercolonial Railway.

Q.—The old Windsor & Minneapolis? A.—It was called the Great American Road, a very short line. The next was the Pacific Railway, Quebec; the next one was the Ottawa and Gatineau Valley, Quebec, too. Then the Norfolk and Carolina Railroad, and a short time on the Northwestern. The Norfolk, Western & Virginia; then two or three years of city work in Virginia, and then three years on the Minneapolis Railway in Indiana, and in Illinois. Then I went to New York, on the New York to Ottawa. Then from there I came out to the Canadian Pacific.

Q.—How long were you with the Canadian Pacific Railway Company? A.—I was ten years with the Canadian Pacific Company.

Q.—What division or portion of the C.P.R. was under your control? A.—The Pacific Division.

Q.—Yes? A. And in 1906—1910 I left the C.P.R. and have been in private practice since then.

Q.—Now, have you been over the road or the constructed line and the projected line of the Pacific Great Eastern? A.—Yes. I had been over all the route part of it before it was constructed, from Quesnel down to Squamish; I have been over it within the last year.

Q.—Within the last year? A.—Yes.

Q.—Have you been over it more than once, that portion of the road? A.—I went up, and went back again.

The Secretary: For whom were you working then, Mr. Cartwright? A.—I was with the Pacific Great Eastern.

Q.—You were engaged with Foley, Welch & Stewart? A.—Yes.

Mr. Maclean: Now, speaking generally about the location of that line, Mr. Cartwright, what would you say? A.—I would say it was one of the best of locations from an engineering point of view that I had ever seen.

Q.—Would you think there was much in the suggestion that the railway had been located in any way improperly; for instance, to give the contractor more work, or anything of that kind? A.—No, quite the reverse; I think it is one of the best roads I have seen in practice; there is no evidence of any waste or anything of that sort at all.

Q.—I suppose you are familiar with the C.N.R.? A.—Yes; I have been over a good deal of the C.N.R.

Q.—We had the prices here the other day of construction on the C.N.R., and we observed that the price varied according to the sections of the railway that we were dealing with; why would that be? A.—Well, it varies, of course, according to the position, and according to the extent and according to the quantities a great deal. If the contractor has earth-work, or rock, or anything running into millions of yards, he does not expect as big a percentage of profits as he would on 100,000 yards.

Q.—Yes; if he was doing it in a wholesale way, he would take wholesale profits? A.—Yes.

Q.—And is there anything else that would make a difference in the contractor's price as compared in one section with another? A.—Oh, yes; there is a large quantity of material in this Fraser River Canyon, where you just simply blast it into the river, and the haul on it is the same.

Mr. Taylor: What section would that be—Hope to Lytton, or Lytton to Kamloops? A.—Most of it would be through the Fraser Canyon from Hope up to Lytton, on that way.

Mr. Maclean: You have heard the prices on the C.N.R., have you? A.—Oh, yes.

Q.—And also the prices of the work on the P.G.E.R., of Mr. P. Welch? A.—Yes.

Q.—Well, now, what would you say about those prices compared with the prices on the C.N.R.—comparing the conditions and the prices on the Pacific Great Eastern? A.—Well, loose rock, hard-pan, and earth were very considerably lower than the Canadian Northern prices; and for rock it is a little higher, but I do not think very much higher, considering the difference in the quantities.

The Chairman: Lower for which line; do you mean all the way through the P.G.E.R.? A.—Lower for loose rock, hard-pan, and earth.

The Secretary: Is that not a very broad statement?

Witness: Why is it (to the Secretary)—why is it a broad statement? I do not understand your point.

Mr. Maclean: I see loose rock in the P.G.E.R. 55 cents.

The Chairman: There is no use in getting into any argument with the witness.

Mr. Hanes: Before the Committee go any further, I will ask the witness, what price did the Canadian Northern get for their loose rock; that is what we are coming to, I think. A.—I believe their price was 50 cents.

Q.—What was P. Welch's price for loose rock? A.—55 cents.

Mr. Maclean: 60 cents is what I have here, for one section, 60 cents.

Mr. Taylor: Which one?

Mr. Maclean: The C.N.R.

Mr. Taylor: I think you are mistaken, then.

Mr. Maclean: Well, I have been relying on the newspaper reports.

Q.—Is there any difference, speaking still generally, before going into any specific price; is there any difference in the means of access to the work along the C.N.R. and along the P.G.E.R.?

A.—There is an immense difference.

Q.—Well, does that make any difference in the price, if the contractor wants to make a profit? A.—The great difference is made in that way; the Canadian Northern have the C.P.R. alongside for a distance, and they got some steam-shovels in there, working into the hill; simply blasted out the rock, and put it in the river.

Q.—Well, what were the conditions as to the work along the P.G.E.R.? A.—They could not get their supplies there, the shovels and machinery, and the work was not large enough for any steam-shovels in any one place.

Q.—Now, in the matter of getting in supplies, do you say there is any difference between the P.G.E.R. and the C.N.R.? A.—Oh, yes, certainly. The advantage is all in favour of the Canadian Northern.

Q.—They are never far from the railroad? A.—No. They come from Port Mann to Kamloops, right alongside this line, and from Kamloops they can get on the North Thompson River; where they run a steamer up, I think, for 150 miles. And then they have a short piece as far as Tete Jaune Cache.

Q.—They have transportation practically all the way? A.—Yes.

Q.—When was the C.N.R. built up here? A.—I don't remember just when it was finished; I think it was about two years ago when it was finished, some of it; but the track was laid before that time, I think.

Q.—And when was the Grand Trunk Pacific finished? A.—A little sooner, I think, than the Canadian Northern.

Q.—Are you familiar with any part of the Grand Trunk Pacific? A.—I was over that portion of the Grand Trunk Pacific from— to Fort George in 1912, and when the contractors were starting on their work; I saw that division of it then.

Q.—And what was the nature of the construction along there? A.—Well, it is work that is splendidly adapted to steam-shovels—big gravel cuts and fills. There are fills there extending

some of them a mile long, and 20 feet high, all of which had excellent material for taking out with the steam-shovel.

Q.—In your opinion, along that portion of the Grand Trunk Pacific that you saw, and comparing it with the Pacific Great Eastern between Lillooet and tide-water, at the same price, on which of these contracts would a contractor make money? A.—On the Grand Trunk, at the same prices.

Q.—Would there be much difference in the profit on the same prices between the two railways? A.—There would be a very great difference.

Q.—Then, you would naturally expect that the prices on the Pacific Great Eastern Railway would be higher than on that portion of the Grand Trunk Pacific that you saw? A.—Yes; I expect that they would be higher.

Mr. Taylor: Is that so, as a matter of fact? A.—No, they perhaps would be the same.

Mr. Maclean: Take that rock along the Fraser Canyon that the scenery had to go through, what is the nature of it? A.—Well, it varies greatly after you get in there; there is some of it granite, and some of it is shale rock; after you get beyond the North Bend you get a kind of rock, shale rock. Well, it is clearly solid rock under any specifications, but it is very easily handled, good stuff to move; you put powder on it, blast it out, and then get your steam-shovels, and do the work by steam-shovels.

Q.—As a matter of fact, what portion of the work was done in that way? A.—A great deal of it.

Q.—Was there any opportunity for doing that kind of work on the P.G.E.? A.—No.

Q.—In the matter of track-laying, comparing now the C.N.R. and the P.G.E.R., what would you say? A.—Well, I should say that the prices are about on a par, considering the difficulties and the advantages in the different cases; the Canadian Northern has very light grades, and they have no difficulty in handling the trains; the maximum grade is 4.10 of 1 per cent., and on the P.G.E.R. you have a good deal of 2.3-per-cent. grade.

Q.—Does that add materially to the cost of construction? A.—Oh, yes, it would, very much.

Q.—Now, roughly, in the comparison between the P.G.E.R. and the C.N.R. track-laying, \$400 I think it is—\$400 the C.N.R. and \$700 for the Grand Trunk Pacific.

The Chairman: \$750.

Mr. Maclean: Do you say that the conditions, taken together, would make those prices equal? A.—I should say they are—they would be about equal in the conditions.

Q.—Clearing per acre in the P.G.E.R. is \$150; on the C.N.R. in some places, at all events, I don't know whether it is \$125; what would you say with regard to a comparison of those two items? A.—Well, I should think that the clearing on the P.G.E.R. up as far as Anderson Lake was heavier than the clearing on the Canadian Northern as far as Hope. I think that those two prices, taking the average of the two roads right through, they would be around about on a par.

Q.—That is, the \$150 clearing per acre on the P.G.E.R. would be about the equivalent to the \$125? A.—Yes.

Q.—For solid rock the price on the P.G.E.R. is \$1.45 per cubic yard? A.—Yes.

Q.—And on the C.N.R., in some places at all events, it is \$1? A.—Yes.

Q.—What would you say about those prices? A.—Well, that is the same point I was explaining before; that with large quantities, and the fact that they can waste a good deal by blasting it into the river, and also the nature of the rock in some sections, they can just blow it up into the river.

Q.—But are they not able to blast into Seton Lake and Anderson Lake as well? A.—Well, I think very little of that is done on the P.G.E.R. I noticed on going over the line that the rock excavated had been used in making embankments; it had not been wasted.

Mr. Taylor: That is, on Anderson Lake or Seton Lake? A.—On both those lakes.

The Chairman: I didn't see many embankments built there, and I have been over the line. A.—The railroad can come along the side of the lake; there has been quite a bit of an embankment built over here, and you will find that there is very little waste there. Most of the rock taken out of those cuts would go into these embankments.

Mr. Maclean: You have dealt with the matter of the location of the line. In the matter of false-work for truss bridges, Howe-truss bridges, is there any rule at all about paying for false-work? A.—Well, it depends on the specifications. If it is contracted for under the specifica-

tions, it is generally put in as Mr. Kennedy explained last night. That false-work is the same price as the trestle timber, and it would be taken out and put into another structure; it is credited back again in the end. He doesn't get paid twice for it; he has been charged with it, and it is balanced up finally.

Q.—Is it usual to allow the contractor on false-work to take out the false-work? A.—Yes.

Q.—Do you know anything about the way in which the lumber-mills supply what is known as commercial timber? A.—Yes. The mills cut their logs in lengths of even (regular) 2 feet. They make them 10, 12, 14, 16, 18, and so on; and the rods are cut this way: If you are buying timber from a mill and you want a 10-foot 6-inch timber, you have to take the next size; that is even, of course; and if you don't do that, and you insist on paying the mill just for the actual timber, they will charge you higher prices per thousand; so it comes to the same thing again in the end.

Q.—My learned friend Mr. Taylor suggested this method: He said, supposing that you want a 16-foot piece of timber, you can get it in this way; you can order a 30-foot piece of timber, and so on up? A.—Well, it costs a lot more to do it, because of the price for the length. They have set a standard price, and if you wanted a certain length, you would have to pay the same price per foot as the greater next even length; for a longer stick you would have to pay more; more than twice as much for a 32-foot stick than you do for two 16-foot.

Q.—Would the sub-contractor, for instance, who was building the bridge, be put to any expense which my learned friend mentioned by having to cut off those small pieces? A.—He would not be put to any expense in that way; he has to frame it, anyway; and the timber is never cut exactly to the length. You might have to cut off an inch, or half an inch, or several; it does not make any difference what it is.

Q.—There is the same amount of labour? A.—Yes.

Q.—What would you say with regard to taking a contract to construct a railway, where there had not been a profile, or centre line, or anything of that kind; is it usual in the railroad contracting business to take such a contract? A.—Yes, as regards the general contracting business; but I think Mr. Kennedy mentioned it last night, the stationmen do not like it; they like to see their stakes. But for the general contract it is quite reasonable, and I don't think it makes any difference in the prices, in the figures.

Q.—That is in the case where the work is let at unit prices? A.—Yes, where it is let on unit prices; if you are letting it by the mile it would be a different matter.

Q.—In this case a good deal has been said about the failure of Mr. Callaghan to notice the fact that his division engineers have apparently allowed a certain amount of classification, and have put clay, for instance, under a rock classification; what would you say about that; could it easily happen or not? A.—I never knew any piece of work in which there were not some mistakes, and there is always something to be corrected in the final estimate; some of them will be one way, and some of the things another.

Q.—Tell me what is done on the final estimate for a railway? A.—Well, all the measurements are gone over; the whole total measurement is rechecked over.

Q.—Would a mistake such as I have mentioned be readily detected on a final revision of that kind? A.—Oh, yes, I think it would be; it is only accidentally that it happens to get as far as it did.

The Chairman: How was it discovered, do you know? A.—I don't know how it was discovered. I didn't go into those details.

(Some one in the room suggested Hon. Oliver.)

Witness: I don't know how Mr. Oliver discovered it.

Mr. Taylor: How many times have you been along this line? A.—I have been over the line—the route of the line—myself from Clinton up to Fort George; I was over it once before they started building, in a motor.

Q.—Do you say, in a motor? A.—Yes, that was a motor.

Mr. Pooley: You went over the line from Clinton to Fort George in a motor before they started to build; is that what you say? A.—We went over the route, along the route.

Mr. Taylor: That is, you went through the adjoining country? A.—Yes.

Q.—On a motor-car between Clinton and what part, in the motor-car—Quesnel? A.—Clinton and—

Q.—Quesnel, I suppose? A.—Quesnel.

Q.—And from Quesnel you went up the wagon-road? A.—I went up—I came the other way, I came down.

Q.—You came down the wagon-road. A.—And then from Fort George to Soda Creek by steamer; but this was the first time I went over the route.

Q.—I have been up there; the Fraser has pretty high banks, hasn't it? A.—In some places, yes.

Q.—And there are many places where the banks have washed away, and the bottom has been filled up, and before you get to the earth high above, you have to go across the large flats, covered with bush? A.—In some places.

Q.—And the railway would be up on the top of the high bank, mostly? A.—Well, of course, you asked me how many times I have been over the railroad—

Q.—Just one thing at a time; this line of railway would be most places between Clinton and Fort George a long ways from the river, and up on top of the high country, not down on the river, but a long way from the river? A.—Well, I am not attaching any importance to this first trip, but still you get a general idea of the country.

Q.—But am I right or wrong? A.—It is up pretty high in some places.

Q.—And a long way from the river? A.—Yes.

Q.—Now, you could not get the slightest idea from a steamer of what kind of location there was for the railroad, with those big high trees away before you? A.—Yes, you could get a very considerable idea.

Q.—What other trip did you have? A.—Well, the next trip we went up from Clinton.

Q.—How? A.—By motor.

Q.—And on the wagon-road? A.—And then in different places we stopped and got out on the line.

Q.—In how many places, about? A.—Well, I should say it was a dozen.

Q.—When was this? A.—This was last summer.

Q.—How far did you go from Clinton in the motor at that time? A.—We went on to Quesnel.

Q.—That is your second trip into the country in respect of this railroad? A.—Yes.

Q.—Can you give me any place on the railroad—start any place you like? A.—Well, we came back on the same trip, and we looked over the line just at different places.

Q.—You were travelling in a car? A.—Yes; and then we took a train and travelled over it on the train.

Q.—Now, where did you travel from Clinton to where—Squamish? A.—To Squamish.

Q.—Where did you sit on the train? A.—Sat out on the back; I sat out on the back platform.

Q.—All the time? A.—Practically all the time.

Q.—And the train was travelling how many miles an hour? A.—Well, it was on time; I don't know what the schedule is; I suppose about twenty miles an hour.

Q.—That is your inspection of this railroad, is it? A.—Yes.

Q.—From that inspection from Lillooet, or Clinton, down to Squamish, you are able to tell which is the best location, or how much rock was blasted, and how much earth went into the fills? A.—In a general way, you can see a lot of the position of the railroad; you can see the nature of the country.

Q.—Did you make any other inspection from Lillooet to Squamish at any other time? A.—No.

Q.—You have been in the employ of Foley, Welch & Stewart, or the P.G.E.R., have you not, for some time? A.—No, I am not in their employ.

Q.—But you are or have been working for them? A.—We have a contract for making right-of-way surveys, on which I had one of my assistants.

Q.—You have been paid a retainer from the P.G.E.R., or Foley, Welch & Stewart? A.—From the P.G.E.R., for the right-of-way.

Q.—And from Foley, Welch & Stewart, for what? A.—The P.G.E.R. Development Company, in work connected with townsite.

Q.—And Foley, Welch & Stewart, for what, if anything? A.—Never had anything.

Q.—Not for them? A.—Never did, for Foley, Welch & Stewart, directly.

Q.—How do you mean, by not directly? A.—Well, I have been connected with their work; I think you have acted as counsel for Foley, Welch & Stewart; we have had some work in con-

nection with action, for instance. I think we had an account for some work on the Canadian Northern also.

Q.—You were acting as their expert witness in the matter of the arbitration in North Vancouver, *Larsen v. the P.G.E.R.*? A.—Yes.

Q.—And you gave evidence in that matter; I have a portion of it. You gave evidence for the Railway Company at other times, and for Foley, Welch & Stewart, as an engineer? A.—For the P.G.E.R., yes.

Q.—And for Foley, Welch & Stewart, you gave evidence on behalf of Foley, Welch & Stewart, on behalf of them and their allied interests? A.—I don't think so.

Q.—Now, from the inspections you have just made, you told us that this was the best location from an engineering point of view that you have ever seen? A.—Yes.

Q.—You mean that, do you? A.—I do.

Q.—What do you mean by the best location that you have ever seen; what is involved in that term? A.—I mean, the best line that you can get to the country for an economical amount of cost.

Q.—But you have not been through that country surveying, and how do you know whether it is the best line or not? I understand that you want to say you can go out and choose your location from a motor, or any way? If you are going to run your line, there are many things to do; you have to make your surveys, and then find out the character of the country in order to determine in that way which is the best location? A.—Yes.

Q.—Now, you ride across in a motor, and go on the train, and from your inspection that you make you are able to say that you can decide which is the best line from that inspection? A.—Yes; because I know the country, and I have examined maps of the country; I have a very good knowledge of this country.

Q.—Is it not necessary for railway surveyors not only to examine the maps, but they have to run five or six lines, and their engineers then know which is the best location; and yet you can ride in a motor-car and on the back of a train, and then say this is the place? A.—When you go out and make a reconnaissance survey, and very often, especially in the mountainous country, you can limit yourself to one possible route.

Mr. Pooley: It depends on the nature of the country altogether, does it not? A.—Yes.

Mr. Taylor: The reconnaissance survey is made to a certain extent, and you have plans and levels, and all that sort of thing; but you do not do it by driving in a motor-car, if you are making a reconnaissance survey? A.—Well, I made a reconnaissance survey last October, and we did it all in a motor-car.

Q.—A reconnaissance survey is the generally accepted survey, is it not; a practical survey from which you can make your first route-map, that you file according to the "Railway Act." It is really your first survey, isn't it? A.—Yes, you can do that.

Q.—We have had that in evidence lots of times? A.—Yes.

Q.—And that is done by taking altitudes, and levels, and using compasses, and being able to take levels, the grades, and the contour of the country for a distance, sometimes required of half a mile each side of the line; from that you make up your route-map and file it with the Government; that is called a reconnaissance survey? A.—Well, yes.

Q.—You don't mean to say that you can do that by travelling on the end of a train, and tell which is the best route in that way. You see, you have made a pretty strong statement? A.—Well, after the railroad is located you can go over the route on the train; if you have been a practical engineer all your life, you can form a very good opinion.

Q.—You can only do that by comparing it with another locality which you have seen. You have made a strong statement that this is one of the best locations from an engineering point of view that you have ever seen? A.—Yes.

Q.—Which means that you have got to be familiar with all the possible locations in that country? A.—Well, I know what the other possible locations are in that country.

Q.—But you have never made a survey of that country for the purpose of a railroad? A.—I know from my experience of the country, and what other people have told me; and I have made surveys for other railways. Other people have actually made surveys for railway purposes from Squamish to Fort George.

Q.—Will you tell me one? A.—The Grand Trunk Pacific.

Q.—From Squamish to South Fort George? A.—Yes, up from Harrison Lake.

Q.—Did you see anything of a route-map, even of the section that you refer to? A.—I know there was one, a preliminary survey over part of the route.

Q.—Now, they have to run a preliminary survey in order to get their data from it, and how is it that they didn't travel over the country like P. Welch, all over the country? You say the Grand Trunk Pacific made a preliminary survey; what do you mean by that statement now; was it or was it not necessary, or was that a foolish waste of money? A.—It turned out in this case to be a waste of money, because they didn't find anything.

Q.—Where they thought they could put a railroad, they found they could not? A.—Yes.

Q.—My learned friend told you some of the prices in the Canadian Northern contract—
The Chairman: Before you come to that, just one question.

Mr. Taylor: Yes?

The Chairman: Going up, you strike Anderson Lake. Do you know where D'Arcy's is? A.—D'Arcy's is not on Anderson Lake.

Q.—Don't you know where D'Arcy's is? A.—I know it is in there somewhere; I thought it was not on Anderson Lake.

Q.—And then they go up the left-hand side of the lake; why wouldn't it be just as well to go up the right side of the lake? A.—Well, I suppose that is the best place for the line.

Q.—Well, how do you know; you come here now and make this statement as an expert witness of the best location, and all the rest of it. Now, I ask you the first question, where is D'Arcy's, and you don't even know where that is. It is a divisional point of the road; isn't it at Anderson Lake. How would you know that it would not have been better work in the location of the position if this line had been put on the other side? A.—My statement is based on this: You can go over a line, and you can by looking at it see where everything is, gaps, and fills, or ballasting, and that there is no waste; that is the point I am getting at.

Q.—Why are you able to say that they took the right side of the lake from an engineering point of view? A.—Well, going up there, I should say that they did, because when they come to the far end of the lake—

Q.—Why do you say that, when you do not even know where D'Arcy's is on the lake; that is what I want to find out? A.—I was paying all of my attention to the details of the line of the railroad, and I was not paying any attention to the name of the stations.

Q.—What is really the physical advantages from which you would justify your statement that they took the right side of the lake? A.—You must remember, Mr. Chairman, that nearly all of my experience has been in going over railroads that have been built, and reporting on them.

Q.—Do you think, frankly, that any man should take one side of the lake, and be able to say that the engineers took the right side? A.—Yes; of course, sometimes there might be very little difference between the two sides.

Q.—Don't you suppose the engineers would go over both sides, and be very careful before they would decide? A.—Yes.

Q.—Do you think that the engineer would lay out the line at the right side of the lake by making a short trip down in a motor-boat and going twenty miles an hour? A.—I didn't mean that.

Q.—How are you able to say that this was the best line you had ever seen when you were travelling on the train at twenty miles an hour? A.—Because I could see where the line had been located, when you have got a line laid out that you can see.

Q.—But you could not see the other side? A.—Well, you can see that it would be a good line in that situation.

Q.—And it could not be any better; you don't suggest that it could not be better? A.—Well, of course, that is different.

Mr. Yorston: Your contention is, I think, that they had the best possible line of route; that there might be other routes, but this one was a good line? A.—There is no other line right through that country; they are limited to having their line from Squamish to Lillooet; they have no other way.

Mr. Taylor: Dealing with the C.N.P. prices, did you ever do any work on the C.N.P. construction? A.—Not for the C.N.

Q.—For any person else? A.—I have been over some of the contractors' work.

Q.—In a professional capacity? A.—Yes..

Q.—What sections? A.—Well, a good deal of it on Vancouver Island there.

Q.—Now, we will eliminate Vancouver Island; we are not wasting time on that; go to the Mainland? A.—Well, on the Mainland; I was over from Lytton south to just about the bridge.

Q.—Lytton south; that is, Lytton towards Vancouver? A.—Yes.

Q.—How many miles? A.—Six to seven miles.

Q.—Where else? A.—That is the only part of the Mainland where I have been over on the ground.

Q.—Well, now, we have got this: How many miles of the C.N.P. are there from above the Yellowhead Pass? A.—I don't know what the distance is.

Q.—About how many hundreds of miles. A.—I suppose it would be about 400 or 500; I don't know exactly.

Q.—More than that, wouldn't there be; however, 400 or 500; you were over six to seven miles of it? A.—But I have seen a lot of it from the Canadian Pacific tracks across the river.

Q.—Then you are travelling up the river, and you can look across, and what does that tell you; you say that you can tell anything about it particularly, crossing the canyon or the river? A.—Certainly you can tell a great deal about it; you can see what the look of the work is.

Q.—Very well, we will take that. We have all travelled over the Mainland, and need not waste any time on it. What other inspection have you had as regards the Canadian Northern Pacific to enable you to compare these prices and conditions? A.—This part on Vancouver Island.

Q.—We will eliminate the Island; that is an entirely different proposition? A.—Well, that is all.

Q.—Very well. Do you know whether or not the Canadian Northern paid for overbreak? A.—Yes; they did.

Q.—How do you know that? A.—Because I reported on the question that was in dispute between the contractors and the men.

Q.—Do you know whether or not it was in their contract that they would or would not pay for overbreak? A.—The contract provided how overbreaks should be paid for.

Q.—I am referring to the Mainland, and not to Vancouver Island? A.—I think it is the same contract.

Q.—Well, I may be wrong, but I thought that I had it very definitely, and you checked me up, that there was a clause to the effect that they would not pay for overbreak; I may be wrong? A.—I think I can explain that to you, Mr. Taylor.

Q.—Yes; it came up in a lawsuit (Griffin)? A.—They had two clauses that governed this overbreak question. One is to the effect that where overbreak occurs and is used for embankments, it will be paid for at the price for "other material."

Q.—That is the same as earth? A.—Yes.

Q.—Including loose rock and hard-pan—earth prices? A.—That material includes loose rock; anything outside of rock. And then they had a clause that where a cut is complete, and a slide occurs, the contractor can remove the material, and will be entitled to classification on that material.

Q.—That is where the cut is complete? A.—Yes.

Q.—And the slide occurs? A.—Then there is a clause where the overbreak is caused by careless use of explosives, and it is left in the hands of the engineer, and it shall not be paid for.

Q.—Overbreak occurs during construction, and not after? A.—Most of it occurs during construction, yes.

Q.—Caused by blasting; blasting brings it down, and it falls down, it slides, from above? A.—That is an accident; sometimes it will occur, anyway.

Q.—So that what occurs after the cut is complete, that is quite acceptable, because it isn't construction; you do not really pay for overbreak under those circumstances? A.—Well, if it has occurred, that is a question for the engineer.

Q.—Now we will deal with other matters. I see from Hope to Lytton, "other material" was 33 cents; Lytton to Kamloops, "other material," 32 cents; and in the other sections it is given in different amounts. Loose rock, hard-pan, and earth, but in those two sections there is nothing for loose rock or hard-pan, only "other material" and solid rock, 32 cents. If the overbreak is paid, solid rock overbreak, it would be \$1.45. In comparing the prices with the C.N.P.,

you have had no other experience to justify the answers that you have given? A.—Yes; I will tell you that I have been over a great deal on Vancouver Island.

Q.—I cannot see how that would be a fair comparison; these were both on the Mainland under similar conditions, you could compare them?

Mr. Maclean: They have the same geological conditions that we have here.

The Chairman: If we are going to take the comparison on the Island, we must have the figures given; the conditions are not the same on the Mainland, because there they vary from Lytton to Hope, and Hope to Kamloops, and so on? A.—The specification is the same on the Mainland.

Mr. Taylor: In your further comparison of the prices, you said that there was steamer communication from Kamloops for over 150 miles; I understand you have never been over that section, and you do not know what the winter conditions are in the way of steamer communication? A.—I know there is the steamer.

Q.—How do you know what the steamer communication is? A.—Because I have discussed the matter on arriving up there with Mr. White, the chief engineer.

The Secretary: Chief engineer?

Witness: Yes.

Q.—You discussed the matter of your trip: do you know whether the steamer was used for transporting supplies up that river or not; that is, the North Thompson River? A.—That is what it was to be built for.

Q.—Is there a swing in that bridge that goes across the North Thompson River? A.—The North Thompson?

Q.—Yes? A.—What bridge?

Q.—The railway-crossing bridge of the North Thompson River; is there a swing in it that a steamer could get through, do you know? A.—I think those bridges have vertical lifts in them.

Q.—Well, we will say, is there a vertical lift in that bridge, that particular bridge, or any kind of an opening?

Mr. Pooley: We can take it for granted that the Government would not interfere with the transportation? A.—I know the contractors had a steamer on the river; I don't know the details of it.

The Secretary: How far did you say that steamer ran up the river? A.—I think it is running 150 miles.

Mr. Taylor: When you made that statement, what was your source of information; what have you got to base that statement on; I was going to ask you? A.—I have been told that by some party.

Q.—And I should judge they would not be able to use it all winter, when it is freezing, and not until the spring or later, after July or August—in low water, and how would they get their supplies in? A.—I suppose they would get most of the supplies in while they could use it.

The Chairman: They would not be able to take these steam-shovels up on it? A.—Oh, I do not think so; they might have; I don't know whether they did or not.

Mr. Taylor: From your general knowledge of the line from Squamish to South Fort George, how do you account for the difference in the following prices: Clearing on the P.G.E.R. \$150; clearing on the C.N., Westminster to Hope, \$125; Hope to Lytton, \$65; Lytton to Kamloops, \$65; Kamloops to Mile 100 North, \$65; Mile 100 North to Yellowhead Pass, \$100; how do you account for the differences in the prices there? A.—That is simply the price according to the grade what they figured on the P.G.E.R.

Q.—Well, say you are going up from Vancouver to Hope; you are on the bottom lands of the Fraser River? A.—Yes.

Q.—There is a heavy growth there, thick growth, and trees? A.—That is not as heavy as from Squamish up to near Anderson Lake.

Q.—Start at Hope and go north, and start at Anderson Lake and go north; we have been told that it is very largely rock-work all through Anderson Lake; now we will take Hope and go up the river, and come north; don't you think that is a fair comparison of the clearing, when one is \$65 and the other is \$150 an acre? A.—There is very little clearing there; it is exceedingly light on the P.G.E.R.

Q.—They are only paid for clearing where there is clearing to be done; we are talking about by the acre, not by the mile? A.—I know.

Mr. Maclean: They didn't pay for clearing along Anderson Lake?

Mr. Taylor: Grubbing, \$300 an acre for grubbing, throughout the whole line; no difference in location at all; and I think Mr. Maclean told you that prices differed with the curves.

The Chairman: There are particulars here showing the style of clearing at Anderson Lake; you had better look at that.

Mr. Taylor: You take a look at this photograph, which is marked Anderson Lake; you will see that there is no clearing worth mentioning, or anything like more clearing there than there would be on the C.N.P. Would you say as a competent engineer that would be a very fair comparison with a large quantity of the C.N.P.? A.—I should say that that clearing is fairly heavy, as shown in that photograph, on section 2, and looking at it apparently the country is fairly heavily timbered.

The Chairman: Look at this one (referring to small photographs).

Witness: Yes, that is the same thing; you are looking at the side of a rock, there are the trees up on the top. This particular photograph has got a bare spot on it; you have to consider when you take your rock cuts, you clear away the trees first, and the trees are cleared away before the photograph is taken.

Mr. Taylor: Let us get this matter clear; you made a general statement to Mr. Maclean as to the prices I understood being lighter on the P.G.E.R. than they were on the C.N.P., taking all things into consideration. Now, I will give you the prices that I am dealing with on the whole line, P.G.E.R.—on the whole line, \$300 an acre?

Mr. Maclean: What is that for?

Mr. Taylor: For grubbing; the other was clearing, \$150. I have passed clearing now, and go to grubbing; grubbing, \$300 an acre on the P.G.E.R. through the whole line. Grubbing on the Canadian Northern, New Westminster to Hope, \$200 an acre; Hope to Lytton, \$175 an acre; Lytton to Kamloops, \$175 an acre; Kamloops to Mile 100 North, \$175 an acre; Mile 100 North to the Yellowhead Pass, \$175 an acre, throughout the P.G.E.R. Now, that is grubbing; how do you account for the difference? A.—Well, the grubbing is always in the same proportion to the timber and the clearing.

Q.—Yes; now we have the whole line now, \$200 an acre, Westminster to Hope, which apparently was considered by the Canadian Northern to be heavier than the rest of the clearing, and hence the grubbing by the contractor would appear to be heavier. The price would indicate that it was greater than the grubbing on any other section. Now, surely, when you consider the North Thompson River, and that long distance, and practically no transportation, except for the steamer, right through the Yellowhead Pass, that would be a fair comparison; that is, with the settled country of the P.G.E.R., surely? A.—That portion of it.

Q.—How are you going to compare these prices, \$175, C.N.P., and \$300 an acre, P.G.E.R.; and you said the prices would compare favourably or something to that effect? A.—I mentioned the prices which I said were allowed on the Canadian Northern, and I said to you that the loose rock and earth, hard-pan, were also comparatively the same on the Canadian Northern. I didn't say that, grubbing was any lower.

Q.—We will pass to another subject. Solid rock between New Westminster and Hope; you would consider it on the Canadian Northern the least desirable of any section of that road, as far as you know that road, or have heard of it? A.—New Westminster to Hope?

Q.—Yes, for solid rock-work? A.—There is not much, or a great deal of solid rock on that road.

Q.—We will compare solid rock, New Westminster to Hope, with all its transportation facilities, and with its limited quantities of rock, Canadian Northern; your price through the whole line is \$1.45, C.N.P., New Westminster to Hope, \$1.00 solid rock; a difference of 50 per cent. in favour of the P.G.E.R. Hope to Lytton, it is 93 cents; we get heavy rock there; Lytton to Kamloops, 90 cents; Kamloops to Mile 100 North, when we are dealing with this question of limited transportation, \$1 a yard; Mile 100 North to Yellow Head Pass, \$1.35. How do you account for those differences in prices between the C.N.P., and it is also a favoured road; it has been guaranteed by the Government; and its contracts have been copied by the P.G.E.R. when you went to get the guaranteed funds; is that a fair comparison? A.—Well, that is simply a matter of the quantities. Of course, transportation facilities of the contractor

can make a difference of 5 cents a yard; and on 10,000,000 yards he would be content with a very small price; but if he has only 500,000 yards, or something like that, he will probably have to be high-priced to make anything like the same profit

Mr. Hanes: What would be a fair profit to make on solid rock? A.—Solid rock?

Q.—Yes, in fairly large quantities? A.—Well, in large quantities, they might be content with 5 or 10 cents a yard.

Mr. Taylor: I will compare the prices between your track-laying, the P.G.E.R. and the C.N.P.; track-laying on the P.G.E.R. throughout was \$750 a mile? A.—Yes.

Q.—Now, here are the prices on the C.N.P.; New Westminster to Hope, \$400 a mile; a difference of \$350 a mile, nearly 100 per cent.; Hope to Lytton, \$500 a mile; Lytton to Kamloops, \$500 a mile; Kamloops to Mile 100 North, \$400 a mile; Mile 100 North to Yellow Head Pass, there is no steamship, but still \$400 a mile. How do you account for the difference in prices in view of your answer that the prices usually favoured or compared favourably with the C.N.P.? A.—It is just simply that you have got to carry your work up-grade or down-grade; it is the grades.

Q.—Surely you don't mean that? A.—I certainly do.

Q.—What is the maximum grade on the P.G.E.R.? A.—2 $\frac{3}{10}$ per cent.

Mr. Pooley: On the C.N.R.? A.— $\frac{2}{10}$ of 1 per cent.

Mr. Taylor: That makes the whole difference, does it? A.—Certainly.

Q.—How much of that 2 $\frac{3}{10}$ per cent. grade is on the P.G.E.R.? A.—I understand there is one grade about twenty-two miles long, I believe; it occurs in other places.

Mr. Pooley: Is there a very heavy grade right up to high water, up to Squamish? A.—It is all up-grade.

Q.—And a very heavy grade? A.—It is a heavy grade.

Q.—And you have to haul up your rails over that heavy grade? A.—Yes.

Q.—Can you explain to me by way of any illustration as to the difference in loads that an engine could haul over the P.G.E.R. grade and the C.N.R. grade, as to cubic yards, just approximately, so that we can understand it? A.—In a general way, a 70-ton engine can take up about 560 tons, I should think, on a 2 $\frac{3}{10}$ grade, and on the Canadian Northern grade it would run somewhere about 4,000 tons.

Q.—500 and how much, you say? A.—560.

Q.—As against 4,000—the same engine? A.—Let me see—I may be mistaken about that 4,000. No, about 3,000.

Mr. Taylor: Do you really mean to tell this Committee on oath that the difference between \$750 a mile for laying a track which is laid by a train, and \$400 a mile for laying track, is accounted for by the difference between grades. Do you, Mr. Cartwright? A.—That is about 50 per cent.

Q.—Do you seriously want this Committee to believe that you can account for the difference between \$400 a mile, or \$500, and \$750 a mile, by this difference in grade? A.—Certainly.

The Chairman: What are the items of expense in track-laying; what constitutes that expense; where do you start from? A.—In track-laying?

Q.—Yes? A.—Well, there is the bringing of the material up to the ties, the rails.

Q.—Bringing the rails from where? A.—The rails would have to come up to a great extent on tide-water; at least, on the P.G.E.R. they came from tide-water.

Q.—From Squamish? A.—Yes.

Mr. Pooley: On the C.N.R.? A.—North of Kamloops; they came from Kamloops.

The Chairman: Where do you take your rails; you are getting your \$750 a mile for track-laying; where are they brought from Squamish? A.—Up to the end of the track.

Q.—Then you have to take them and load on your cars? A.—Yes.

Q.—Your handling them is the first expense? A.—Yes.

Q.—Then you haul them up to your location-point? A.—Yes.

Q.—And unload them? A.—Sometimes unload them. You have a work-train on which you take out your rails and ties, and shove them ahead of your engine, and sometimes they have a track-laying machine.

Q.—Isn't the handling of the rails one of the chief items of expense? A.—That is one of the items.

Q.—What percentage of the expense would your handling be? A.—Do you mean, just the handling of them, that part of it, because all the work is practically handling.

Q.—I mean the handling of them apart from the hauling? A.—You mean taking the rails off the cars.

Q.—I mean handling the rails from the time you start, from the actual pulling them by the engine? A.—Yes; but what I want to get at is just how you mean that. Of course, the whole track-laying is really handling the rails, because you have to put these rails, string them out on the ties, do you mean that kind of handling?

Q.—I want to include everything, except the actual pulling of the rails by the engine, that is; the cars by the engine? A.—Oh, that would take in nearly all the whole item.

Q.—What would? A.—The actual handling.

Q.—The actual handling would take nearly all the whole item. That is just what I thought. You were going to say that the increase in the case of one company would be nearly 100 per cent. on account of the grade? A.—Well, the handling is increased by the grade.

Q.—How? A.—Why, if you are working on a level, you can get your rails and send your cars along and drop them just where you want them, but if you are working on a lift you have got to keep your engine there all the time, keep the brakes on, and keep a man on the cars, and control everything.

Q.—Do you say that most of the grade on the P.G.E.R. is of such a grade that you have to do that? A.—A large portion of it is perhaps over 1 per cent. grade; you have got to keep the cars safe.

Q.—I can understand the effect of that grade on heavy trains, but do you mean to say that so much of the road is on the steep grade? A.—Yes, there would be about 50 per cent. of it, taking it all through.

Witness: You don't put in any false-work for trestles, Mr. Taylor.

Mr. Taylor: You were talking about bridges? A.—Well, they are nearly all trestles.

Q.—Mr. Callaghan told us some of this false-work the trains ran over it; you used the false work to run the trains over? A.—Well, there are very few of those trestles on the line.

Q.—Well, the same thing that applied to the Canadian Northern as to bridges would apply here. We know just how long after that road-bed was finished the Canadian Northern got those bridges in. It must have been a year or so afterward. Every one knows that. Now, the P.G.E. has no more bridges than the Canadian Northern—it is no more a bridge there than it is on the Canadian Northern, and still the price differs here. What argument do you draw from that? A.—Well, I say the price differs on account of the character of the line—the grades on the line.

Q.—Do you know whether the Canadian Northern Pacific included hauling in their track-laying price or not? A.—I don't know.

Q.—Do you know whether the P.G.E. were paid extra for the hauling, over and above the track-laying price. A.—I don't know.

Q.—Have you inquired? A.—No.

Mr. Hanes: Does the track-laying include the taking of steel right up to the end of the line, usually? Does the price paid for track-laying include for taking the steel up to the end of the line? A.—It usually does.

Mr. Taylor: Another feature I want to ask you about. We have been told that in order to allow sub-contractors and stationmen to pull out square—to pull even and make a profit, it was necessary to increase their classifications.

Mr. Maclean: Just one minute, Mr. Taylor. I don't think that was said about sub-contractors. It was said in regard to the stationmen only. At least, that was my understanding of the evidence.

Mr. Taylor: I think you are wrong there; I think it applied to both.

Mr. Maclean: I have no recollection of any one other than the stationman.

Mr. Taylor: Well, we will simply speak of the stationman then, to avoid any dispute, and so that there will not be any dispute as to my question. That has been said with regard to the stationman—and you are wrong, I know, in that, Mr. Maclean. Now, it has been said with regard to the stationman, in order to let them pull square it was necessary to increase their classification. Now I am asking you as a railroad-man if that would be a fair proposition? Wouldn't the fair thing for the sub-contractor or the contractors to do, be to increase

the price for the correct quantity, to enable them to pull out square? A.—The effect would be the same.

Q.—It might not be the same to the Government. You see here the contractor gets a price of \$1.45 a cubic yard, and the stationman is doing that for 60 cents a yard, and the stationman will fall behind in his profit. Now, why doesn't the contractor in the first instance give him 75 cents a yard and leave the classification alone? There is lots of room for the contractor to do it in that way? A.—It could have been done in that way.

Q.—Now, the minute you change classification you change it right along the line, right up to the Government, and you give yardage that never exists. A.—No. Wait a minute until I explain this point. The Railway Company building a railroad employs an engineer, and that engineer acts between the Railway Company and the chief engineer. He has got his duty to see fair play between the two. Now, the chief engineer sub-contracts the work. Now, he could put on a different set of engineers and do all his own measurements, and the first engineer would have nothing to do with it, but to avoid a duplication of the staff the engineers for the Railway Company (as a concession for which they accept no responsibility) give the sub-contractors the stationmen's measurements. It is just as a matter of convenience to prevent them having to go to the expense of engaging a different lot of engineers.

Q.—Do you mean to tell us that it is the proper practice for the Railway Company's engineers to practically keep two sets of books—to keep a system of classification between the contractor and his sub-contractor, or his stationmen; and another system of classification between the contractor and the Railway Company, which in this case was practically the Government? A.—Yes, it is perfectly correct.

Q.—It is a perfectly correct thing to do? A.—Perfectly correct. They are acting in two capacities. They act as a favour as engineer to the stationmen, and they give them the benefit of their measurements.

Q.—In fact, when the Railway Company's engineers go to the trouble of giving those different classifications and making out those different forms of estimates, it means practically doubling their work, doesn't it? A.—Doubling it?

Q.—Yes, doubling the engineer's work? A.—No, it does not. That is the reason it is done. They can do that work at the same time and they have only got to get the measurements, anyway, it only means that they subdivide the measurements.

Q.—Now we will take the foundation for crib-work. They don't have to go into that at all—no matter what it is made out of, whether it is solid rock, or loose earth, or what it is; but when they come to the sub-contractor they have to measure up the loose rock, and solid rock, and earth, and there are three different measurements they have to make there which they would not have to do at all if they were simply asked to do the work they were paid to do in dealing with the main contractor. A.—In that case it does mean more work to them.

Q.—Whenever you make a difference in classification it means a different survey, doesn't it? A.—It means that you have to reconsider the matter, but you are doing that, anyway. You are over the work all the time, and it does not mean any more work in that way.

Q.—Take these changes in classification. Do you think it was an honest thing to do—I will put it to you that way, which is the strongest possible way to do—do you think it is an honest thing to do for the Railway Company's engineer to have one classification for the sub-contractors and stationmen, and another one for the contractor? Do you think that is an honest practice, or conducive to honesty? A.—Well, the engineer is acting for the sub-contractor; he makes an estimate for them in which the Railway Company has nothing to do, and the effect of this class of classification you are talking of was just simply that the contractor thought it was economy to help the stationmen out by giving them more allowance. He might have done it by increasing their prices per yard, but it would come to the same thing. It did not cost the Government anything.

Mr. Hanes: Do you say that? A.—Yes.

Q.—Mr. Callaghan swore yesterday afternoon that 10 per cent. of this overclassification went right through to the Government estimates? A.—I think you misunderstood him, or Mr. Callaghan misunderstood you.

Mr. Taylor: Well, I want to get at this point, if you will just let me, Mr. Hanes, for the moment. I want to get at this proposition. How do you think that the sub-contractor and

the stationman would look at this situation? They find that they are given 10,000 yards of solid rock at \$1.45.

Mr. Maclean: Who finds?

Mr. Taylor: The sub-contractor or stationman finds that he is given 10,000 yards. There are 40,000 yards in the whole job, and he finds that 10,000 yards of that is given to him at \$1.45 as solid rock, and 10,000 is given to him at the loose rock price, which is 55 cents, and 20,000 is given to him out of that 40,000 at the earth price, which is 32 cents. Then he goes around and he brings a lawsuit. He finds that something is wrong some place, and he finds that the main contractor, on the same solid rock, instead of being given 10,000 was given 20,000 yards at the solid rock price, and instead of being given the same amount in loose rock that he is given 10,000 yards, and when it comes down to the 32-cent stuff he finds that the main contractor is only given 10,000 yards and he is given 20,000 yards. In each case they both get the 40,000 yards, but there is a difference between the two men in the classification of it which makes a tremendous difference in price? A.—Well, you have just got the case reversed from what occurred in this case.

Q.—What do you understand occurred in this case? A.—What occurred in this case, as I understand it, was that the stationman got the higher classification.

Q.—You understand that, do you? A.—Yes.

Q.—You are quite sure of that, are you? A.—That is the evidence that has been put in as I understand it, and I was here while it was put in.

Q.—Did you hear anything in this case that the classification was changed to reduce the profits of the stationmen and the sub-contractors? A.—No. Don't mix up the two. Stationmen and sub-contractors are a different thing.

Q.—Well, we will call it stationmen if you like. By the way, I will ask you what difference does it make to you whether it is a stationman or a sub-contractor? Upon my word, I cannot see any difference, no matter who it is. If a man goes through a mile of work that has so many yards of solid rock in it, I cannot see why he is not paid the same classification as the sub-contractor; and if there is so much loose earth, why he is not given the actual earth; and I do not see why it should be different for the different men on that job.

Mr. Pooley: Let the witness explain it.

Witness: Well, according to my understanding of these questions, these stationmen, some of them did not make enough wages, and they decided that some assistance was necessary for them. That was better for the contractors; and instead of raising the rate they gave them a higher classification. Now, they were paid on that higher classification by the sub-contractors. Now, the sub-contractors, they had made an agreement apparently with Pat Welch that they would limit their profits on this work to a certain amount. Apparently they had unit prices, but after they had exceeded a certain amount they agreed with Mr. Welch that they would accept a certain figure. That is, they were really working on the cost plus a fixed-sum basis.

Q.—Or a lump-sum basis? All right, go ahead. A.—That was an agreement between the chief contractor and the sub-contractors. Now, when the stationmen's estimates come, they were paid by the sub-contractor; then when the sub-contractor gets his estimates, these estimates are made for the total to date; and when they reduce that classification it simply means that the sub-contractor had paid the stationmen more than what he was getting. He might have done the same thing by paying them more per yard, and it would come to the same thing in the end.

Q.—Very well.

Mr. Pooley: And then the general contractor made up the difference? A.—It came out of the general contractor. If they had done it that way, he did not make anything out of it.

Mr. Taylor: Do I understand you as justifying this position? We have on the one side, as I suggested, the paying of each and every man for the actual honest quantities of work that he did at the actual honest contract prices he agreed to do that work for, and we have the other system, which you say is the one which is in vogue in this work—dividing it into three different branches and the engineers had to keep track of the three, not of two; the stationman had to be kept square, and the classification changed accordingly. The sub-contractors did not have that system. It did not make any difference how much rock there was, but they had to make a certain profit, and that had to be worked out in the classification or some other way in order to give them a fixed profit, and the Railway Company which dealt with the Govern-

ment—the contractor was paid at the actual quantity basis (upon the unit price)—so there were three systems which the engineers had to handle in that field; and you say that the system as followed by the P.G.E. was better than following the actual quantity basis at the actual contract price in each case? A.—I say that the way it was carried out was perfectly honest.

Q.—Now, I ask you which was the better? I am not saying it was not honest. You say that system was better than paying all the men on the honest quantity basis—on the honest contract basis. I am not saying the other was not honest. That is for the Committee to say. Now, which do you say was the best system—one is the straight business system where every one knows where they are at, the Government included; and the other is a hybrid—a three-headed system, if I may call it that? A.—Well, as for myself, I would prefer the price being changed and give them the higher price.

Q.—That is a different system. You would leave the classification the same all the time, and you would make P. Welch, instead of paying 50 cents for rock-work (I am not speaking by the book—only by illustration), you would say pull these fellows square by giving them 65 cents a yard? A.—I think that is a splendid system, but it costs the Government—

Q.—Now, what difference does it make to the Government if P. Welch pays 50 cents to his stationmen or 65 cents? A.—Because I understand in this case the whole classification was very low. The final classification was exceedingly low. That has been stated in the evidence.

Q.—Is that what you were basing your answer on? A.—Yes.

Mr. Pooley: Is this the same system that is adopted anywhere else? A.—Yes, it is adopted on most railroads.

Q.—It is practically universal? A.—Yes.

Mr. Taylor: You don't mean that, Mr. Cartwright. Do you know that we as lawyers have to do with these matters very frequently. Now, do you mean to say that that is the same system as on other railroads—now be careful? A.—Helping out the stationmen is a very common practice.

Q.—Well, now, you know the system I have been dealing with—this three-headed system—or this two-headed system—we will cut it down one; do you mean to say this is the system that is universally used in British Columbia by the different railroads? Don't make statements like that unless you know they are correct. I suggest to you that that system has no parallel in the Province of British Columbia. A.—I say it has. It is a parallel along every railroad—the contract between the sub-contractors and the stationmen—that is a different contract than between the Railway Company and the chief contractors.

Q.—That is all as far as I am concerned.

The Chairman: Isn't it a fact, Mr. Cartwright, where in other cases the classifications are changed or made more easy for them to do the work, that classification runs right up through and stands? A.—Yes.

Q.—And that is the reason why they do it that way instead of changing the price? A.—No.

Q.—I am not asking you the reason in this case. I am just merely saying in so far as there is any general practice in matters of this kind? A.—It would go right through.

Q.—And the engineers exercise a certain discretion, and in hard contracts it makes it a little easier to do the work? A.—Yes.

Q.—For the stationman? A.—Yes.

Q.—And that makes it a little easier all along the line? A.—Yes.

Q.—And that is really the theory of the philosophy all along the line for doing it that way instead of changing the price. If you change the price that would hit the contractor only. A.—If you change the price it would only affect the man who had the contract.

Q.—While if you do it the other way and carry it through, the man who really pays the piper in the end is the Company or whoever pays the bills finally? A.—In this case it was P. Welch who stood the loss.

Q.—I am talking of the general system that you carried through? A.—If you carried it through, yes.

Q.—Now, you were saying the difference between the usual system of making it easier for the stationman, and the one that was adopted here, was that after they had made the change

in classification they turned around and changed it back again at the expense of P. Welch?

A.—Yes. My statement is—

Mr. Pooley: He says that is according to the evidence.

Mr. Taylor: He simply says that is his understanding of the evidence.

Mr. Maclean: And mine too.

Witness: My statement is that P. Welch was more interested in making a profit out of the completion of the road than a profit out of the contractor, and on that account he was willing to pay the stationmen more to get them to stay on the work, and he stood the cost, and they made a less profit out of the contractor than they otherwise would make.

The Chairman: Who do you understand that from? A.—I understand it from the evidence that has been put in.

Q.—From the evidence in this case? A.—Yes.

Mr. Hanes: Now, Mr. Cartwright, I want to ask you a few questions.

The Chairman: That is all you base it on, you are not basing it on outside information? A.—That and general conversations. I have talked with Mr. Callaghan several times.

Mr. Taylor: How did Mr. Callaghan know what P. Welch wanted to do; he was the representative of the Railway Company and not of P. Welch? A.—Just in a general way Mr. Callaghan showed me—you see, I have met Mr. Callaghan often; I have known him a long while, and I have met him very often, and we have had general conversations, and from what he has told me they have not interfered with him in his duties as an engineer. He just acts the same as he would for any railway company.

Mr. Hanes: Now, you have been giving a certain line of evidence here regarding the stationmen. I would like to ask you if in clay cuts—hard clay cuts and cuts of the nature which we have been referring to—if 10 per cent. solid rock is allowed, is that the proper thing? A.—Yes, it is. As I understand that material, I would call it rock if I were acting as the engineer. There is always some material which requires a certain amount of judgment to say whether it is solid rock or loose rock, or solid rock and hard-pan; and as that material was described to me I would go just as Mr. Callaghan did about it, I would put it in as a certain percentage of solid rock.

Q.—Well, if the resident engineer on the division stated in his judgment he could not classify it higher than loose rock, what would you say as to that; if he said he should charge it at loose rock at the most? A.—Well, in that case I would probably go and visit the resident engineer, and we would go over the ground together and decide who was right.

Q.—Well, if it didn't cost any more than loose rock to take out, and the resident engineer did not think it could be classified higher than loose rock, what would you do? A.—Well, I would give the contractor, or whoever it was that took it out, what I thought it was worth, regardless of what profit he was making out of it. If I thought it was rock, I would give it to him at the rock price, even if he was taking it out at the cost of loose rock. I would give to him the rock price if I considered he was taking out rock. We like to see a contractor make a little money sometimes. He is entitled to it.

Q.—Well, I am going to go into that further. I am going to ask you some further questions on that. You started out by making a comparison of prices between the Pacific Great Eastern and the Northern Pacific? A.—Yes.

Q.—Now, as I understand it, the Canadian Northern Pacific construction was let in sections or divisions—from New Westminster to Hope, and Hope to Lytton, and so on? A.—I think it was. I think it was let in sections.

Q.—That was in the form of sub-contracts? A.—Yes.

Q.—From the Company or the general contractor? A.—Yes.

Q.—So that those prices we have been referring to on the Canadian Northern Pacific would be generally spoken of as sub-contractor's prices? A.—I don't know about that.

Q.—Will you give me your explanation; it is certainly not a general contractor, is it? A.—Well, they have no general contractor, unless Mackenzie & Mann are the general contractors. I am not sure how they do arrange it. I know that "Mackenzie & Mann" are on a good many of their letter-heads, and I think that Mackenzie & Mann take practically the place similar to Foley, Welch & Stewart in this case.

Q.—But they called for tenders, did they not? A.—Yes, they called for tenders.

Q.—And these various contractors bid in competition with each other? A.—Yes.

Q.—And certain parties received contracts from point to point as mentioned in this Legislative Journal—from New Westminster to Hope, from Hope to Lytton, and from Lytton to Kamloops, and Kamloops to Mile 100 North, and Mile 100 North to Yellowhead Pass? Now, I want to ask you if those contracts are not in the nature of sub-contracts from the main Company? A.—Yes, to a certain extent I think they are. There is a little different arrangement in each case.

Q.—You have expressed your opinion here; you stated that you would allow stationmen enough money to break even as a proper method of classifying a road as far as stationmen go? A.—I say in certain cases I would, but that is a matter for the sub-contractor to deal with his own stationmen.

Q.—And if you allow enough classification so that he will break even, those prices then are the cost of the road—the cost of that work in labour, material, provisions, and equipment; that is, as between the stationman and the sub-contractor? A.—Yes.

Q.—Well, now, we have filed here the prices that the sub-contractors received on the Pacific Great Eastern, which I wish to compare with you with those received on the Canadian Northern, because you mentioned those prices in particular when you started in with your evidence. I am first going to take North Vancouver to White Cliff. You gave evidence, did you not, in an arbitration case at North Vancouver? A.—Yes.

Mr. Pooley: What was that arbitration case in connection with? A.—It was in connection with Larsen's water-front, the expropriation proceedings. Larsen's water-front in North Vancouver.

Mr. Hanes: And the Pacific Great Eastern Railway? A.—Yes.

Q.—In making up the bill of material of what you thought was a fair price to allow there, right along the right-of-way you stated—

Mr. Taylor: Shall I read it? You stated as follows (reading from transcript):—

“Q.—Have you got the details of your figures with you? A.—I have an estimate here.

“Q.—The items are there, aren't they? Are there very many? A.—Not very many.

“Q.—I think you had better read them into the notes. A.—I have 70 piles, 20 feet long, for the wharf, 1,400 lineal feet. Now, under that, 70 piles, 15 feet long, in the ways, 1,050 lineal feet, making a total of 2,450 lineal feet at 22 cents in place, \$583.

“Q.—Is that the right price? A.—Yes, the price that you can do the work for. 750 lineal feet, 8 x 8 caps in wharf, 4,000 feet board measure; 1,750 lineal feet, 2 x 8 joist, 2,350 board measure; 750 lineal feet, 1½ x 8 braces, 750 feet board measure; 3,000 square flooring, 4,500 feet board measure; 100 lineal feet 12 x 12 stringers, board measure; then there is some extra flooring, 400 feet, 1½ x 12, 600 feet board measure; and some brackets, 400 feet, 2 x 8, 550 feet board measure, making a total of 13,950 feet board measure, which I have taken at \$20 a thousand, including labour.

“Q.—What do you say as to that price? A.—The price, taking the timber at \$12 (they are selling it cheaper now, but I took a fair price), it leaves \$8 a thousand for labour.”

Mr. Hanes: Now, you said you were buying timber cheaper than \$12 a thousand in that evidence? A.—Yes.

Mr. Pooley: He said they were selling it cheaper.

Mr. Taylor: He said he was allowing a fair price.

Mr. Hanes: He was allowing a fair price at \$12, and Mr. T. R. Nixon received \$6.50 a thousand for doing the work along there, did he not? A.—I don't know what Nixon did get.

Q.—Well, assuming that he did get \$6.50 a thousand, which the contract will show as filed here with the Committee, and assuming that they bought the timber at \$12 a thousand, which was a fair price in your estimation at that time, that would make \$20.50 for the cost of that timber in place for the sub-contractor? A.—Possibly.

Q.—Including the work and the cost of his material? A.—Yes.

Mr. Taylor: That date was October 28th, 1914.

Mr. Hanes: That was at the same time that the railway was doing construction-work along there, was it not? A.—Yes.

Q.—Now, you mentioned piling there at 22 cents a foot in place? A.—Yes.

Q.—And we know that piling was being purchased at less than 7 cents; so that leaves a price does it not of 15 cents a foot that you allowed for driving? A.—For the driving there.

Q.—And that was your opinion at that time, of the cost of the work at that time? A.—For that place?

Q.—Yes, for that place. A.—Yes.

Mr. Maclean: What place is it? A.—That is the water-front at North Vancouver.

Mr. Taylor: The piling here was 35 cents in P. Welch's contract—35 cents per lineal foot for the piling and 35 cents for the driving—and the timber was \$45 a thousand, \$55 a thousand, and \$60 a thousand in the structure.

Mr. Hanes: Well, taking it at \$45 a thousand for timber in place and \$60 for stringers? A.—Yes; but, Mr. Hanes, you have to consider that you are taking a very exceptional case there, for this contract extends right up to Fort George.

Q.—Well, I am going over it with you right from Vancouver to Fort George before you finish with the evidence.

Mr. Pooley: Let him explain first.

Mr. Hanes: I will let him explain everything, but I am going to go over it all with him.

Mr. Pooley: Let him explain the tide-water.

Witness: Well, it is the easiest place; if you take one particular place, and if all conditions were favourable, it might show an enormous profit; but if you take some places away up in the Cariboo, where there is a bridge to be built in the bottom of a canyon, why it might cost ten times what he gave for it there.

Mr. Taylor: To get the lumber in there, you mean? A.—Yes.

Mr. Pooley: But where you have a pile-driver in North Vancouver, that is what reduces the cost? A.—Yes.

Mr. Taylor: But how do you account for the cost in lumber? A.—Well, it was all under the same conditions—those piles; they were just little piles there used for the marine runway. You could not take a boat over 5,000—

Mr. Hanes: Well, take the piles delivered at Clinton, 30 feet long? A.—Would that be a fair comparison?

Q.—Piles delivered at the bridge-site at Clinton at 7 cents a foot, piles up to 30 feet long; would that be a fair price? A.—No, it would not be nearly enough.

Q.—Well, the sub-contractor took it out for that.

Mr. Taylor: Just give him those prices. Just see this wild country up north and what they can get their piles for there.

Mr. Maclean: Now you are making a little speech to him. That is not a question.

Mr. Hanes: Take the question of the piles delivered at 3½ cents a foot by the sub-contractor. You have already told us that the stationman or the sub-contractor had to get enough allowance to get even; that would be the actual cost of the piling, wouldn't it?

Mr. Pooley: What price do you refer to, because there are some places where the piles have to go right on the right-of-way?

Mr. Taylor: I would suggest that you take the actual estimates and take the prices that were given to those men who delivered the piles at different places along the roadway.

Mr. Hanes: Yes, and they are filed here on the table and you can take them right off. I might say that I have copied these off. Now, we were dealing with the North Vancouver end.

Mr. Maclean: Well, you had better have your documents here, I think, that you took these off of, because mistakes have often occurred in these copies.

The Secretary: You can easily substantiate them later, Mr. Maclean.

Mr. Hall: Mr. Callaghan can check them up.

Mr. Hanes: I am quite willing to have these checked up before they are printed.

Mr. Taylor: Well, Mr. Hanes has gone to the trouble, and has taken them off, and he is an engineer who understands this work, and I don't think you should make a comment on it.

Mr. Maclean: Well, just check it as you go along, and then you know what you are doing.

Mr. Pooley: If we have the exhibits here, just refer to the Exhibit No. 20 or 30, and say the price of that is so much and then ask the question, what do you have to say about it?

The Chairman: Do I understand that one of the members of the Committee has made up a statement of the figures taken from these exhibits?

Mr. Hanes: Yes.

Mr. Taylor: He has taken it off these estimates.

The Chairman: Well, we could have the benefit of the work of one of the members of this Committee then. He can use his copy.

Mr. Pooley: Let us have the record itself so that we can find it.

Mr. Hall: It is all one exhibit.

Mr. Pooley: But let us ear-mark it so that we know where to find it.

Mr. Hanes: I will just leave the North Vancouver end with those comparisons we have made. Now we will go on to the section between Squamish and Lillooet. That is known as section 2, and then there is Mile 43.97 to Mile 162.6. I am going to ask your opinion as to the clearing price allowed to the sub-contractors on section 2. A.—Well, Mr. Hanes, there is no use your asking me those questions, because I don't know the line in detail.

Q.—Well, you made a statement—as I stated when you started off, you made a comparison of prices? A.—Yes.

Q.—Well, I want to get at that? A.—Yes, I was comparing them with the Canadian Northern and the Grand Trunk Pacific.

Mr. Maclean: Just a minute.

Witness: But what the stationman made on it I don't know anything about.

Mr. Maclean: I would submit again that the original documents ought to be here so that we can see whether Mr. Hanes is dealing with the sub-contractors' prices, the contractor's prices, or the stationmen's prices, or what it is. Now, he has something there on paper we don't know anything about.

The Secretary: You are referring to the stationmen's prices?

Mr. Hanes: No; the sub-contractors' prices.

Mr. Taylor: He is referring to the sub-contractors' or stationmen's prices, as the case may be, that were actually filed by P. Welch.

The Secretary: That is Exhibit 135.

Mr. Pooley: Is that where you took your figures from?

Mr. Hanes: What are you asking me where I took my figures from for? I know where I took them from.

Mr. Pooley: I am not for a moment questioning Mr. Hanes's figures, but he has to realize that all this had to go down on the notes, and if he does not get them down in their consecutive order, any one else reading the notes later on will not know where it has come from. We don't say it is not correct at all, but if he has taken his memorandum from Exhibit 135, let him say so.

Mr. Taylor: Mr. Hanes has spent hours and hours in taking these extracts from these documents, as a responsible member of this Committee, and he has taken them from a large number of extracts; and it is certainly not facilitating the labours of this Committee to ask him to perform that work a second time in this room.

Mr. Pooley: We appreciate what he has done, but let him give us that information.

Mr. Hanes: We don't want to go all through this again, and I was just drawing a comparison. It would take days and days to do this.

Mr. Pooley: Well, you have given us the mileage from so-and-so, from a contract filed in Exhibit 135. That is sufficient for us, as long as you ear-mark it for us.

Mr. Hanes: I was just going to get the average price.

Mr. Maclean: And I would ask that he show where the stationmen or sub-contractors were located.

Mr. Taylor: If I were asking these questions I would not allow my friend to constantly interrupt me and say the way I should conduct my examination, and Mr. Hanes is in a far more responsible position than I am, and being an engineer who knows all about this, he would know better how to ask these questions.

Mr. Pooley: Well, I just want to get the question down so that any one could follow it.

Mr. Hanes: In this section 2, between Squamish and Lillooet, I wish to draw a comparison on the statement. I want to check up that statement that you made when you first started to give your evidence. You stated the prices for clearing on the Canadian Northern; you stated something about the price of clearing on the Canadian Northern from New Westminster to Hope. How would that compare with the clearing from Squamish to Mons or Alta Lake? A.—I said that the clearing from Squamish to Alta Lake would be heavier than from Port Mann to the lake.

Mr. Taylor: Heavier. Then you can take the prices at Alta Lake.

Mr. Hanes: For instance, McCall & Wilson were paid \$40 to \$45 an acre for clearing?
A.—Yes. Have you got the Canadian Northern sub-stationman's contract?

Q.—These are the sub-contractors' prices. We are drawing a comparison between this and the sub-contractors on the Canadian Northern. I thought we understood this when we started.

A.—But have you got the sub-contractors' prices on the Canadian Northern?

Q.—I was comparing them with the prices which you mention, which were the main sub-contractors' prices? A.—No, you have got stationmen's figures there, and you have to get the stationmen's figures on the Canadian Northern, unless you are not getting a fair comparison.

The Chairman: You mean to say that it was not fair to take the price of the man that actually did the work in arriving at what the original price should be? A.—Yes. That is fair enough, but Mr. Hanes is not doing that. He has got the price of the man who did the work on the Pacific Great Eastern, but he has not got the price of the man who did the work on the Canadian Northern.

Mr. Hanes: We have asked for the sub-contractors' prices to be filed with this Committee. Now, who is there here in authority who can say whether they are the sub-contractors' prices?

Mr. Davis: Those that you are looking at are the stationmen's? All these are stationmen. The sub-contractors are separate altogether.

Mr. Taylor: Exhibit 135 is the sub-contractors' estimates.

Mr. Hall: Well, I understood the witness to say that the stationmen's prices as given here would give him an idea of whether the head contractors' prices were fair or not. Is that correct, Mr. Cartwright? A.—No, I did not say that; you would have to take the whole line. You cannot arrive at anything unless you take the whole thing.

Q.—Well, on that particular section, though, it would give you an idea, would it not, as to whether the head contractors' prices for that work were fair or not? A.—No it would not, because the head contractors' prices extend from Squamish to Fort George, and this only extends from Squamish to Alta Lake.

Q.—So in your view these would not help you in any way at all? A.—No, not at all.

Mr. Taylor: What is the reason that the sub-contractor's price does not help you to arrive at a reasonable price for the main contractor. I would judge if I asked a man to build a house for me, or to do a piece of tunnel-work for me in a mountain, or anything of that sort, if he sublet it and got the work done at a lower price, it would give me an idea whether I had paid him too much for it or not, and particularly so if he had an opportunity of selling goods at an increased price to the sub-contractors and stationmen. A.—Mr. Taylor, Mr. Pat Welch has a contract for the clearing from Squamish to Fort George. If you picked out a stationman who did some work down in the Squamish Valley, his price would give you no comparison at all.

Q.—You are perfectly right as to that? A.—If you took every stationman on the whole line and figured them all up, and averaged them up together, that would give you a comparison.

Mr. Taylor: Now, have you done that? A.—No.

Q.—Don't you know, as a matter of fact, that his prices are tremendously lower than what P. Welch got? The average prices of the stationman or the sub-contractor are tremendously lower than what P. Welch got? Haven't you done that? A.—I have not done it, but I presume it is considerably lower, because they supplied them with all sorts of plant and material.

Q.—But they charge a rental for that—a fair rental—and a big rental as a rule. A.—Not for clearing.

Q.—Take the track and that sort of thing; as I understand these railway main contractors, they charge them more than the track costs in rental, and you have a good track left, and things of that sort? A.—But I am talking of clearing. You don't use any track for clearing.

The Chairman: Well, what I want to have done is to have a tabulated analysis. I want to have an analysis of the sub-contracts and of the stationmen's prices, and have them submitted to this Committee and put in tabulated form.

Mr. Taylor: That is all Mr. Hanes is trying to get at.

Mr. Hanes: I am just going to ask him a few more questions.

The Chairman: But let me settle that first. It is a most important point, and I have been trying to get that done for a few days, but there has been nothing done about it yet.

Mr. Taylor: You mean a tabulated analysis—a comparative analysis of the main contractors, subs. and stationmen.

The Chairman: It is just so we can get an average.

Mr. Taylor: Well, in that connection there is some memoranda and things of that sort in the regular contract forms that have not yet been filed. Mr. Tate spoke to me yesterday about it, but I thought it was not necessary to produce them. But now I have spoken to Mr. Tate and Mr. Welch, and I have told them, if it was necessary to have any statement produced, it would be better to have them here. It would be necessary to have these other informal arrangements produced. They are rather informal as compared with these and are to cover the balance of the road. They will be here to-morrow I understand? That is right.

Mr. Welch: Yes.

Mr. Taylor: Another reason why they did not want to file them was because they were the only vouchers that they had, and they are very anxious that they should be handled so that none of them would be lost.

Mr. Hanes: Mr. Chairman, for the benefit of the Committee, we started in to discuss the sub-contracts, and this has been handed to me as being the sub-contracts which this Committee asked to have filed for reference.

Mr. Pooley: Exhibit 135, is it?

Mr. Hanes: Yes. It covers five or six sub-contractors' work up at the upper end of the line, and if that is all the sub-contractors' contracts—

Mr. Taylor: Well, that is just what I have stated.

Mr. Davis: That is all there are. The other sub-contracts are not in writing. The settlements are in writing, but the prices were fixed with them verbally.

Mr. Taylor:—And the settlements, I understand, will show the yardage, and the prices and that kind of thing, but they are in the shape of settlements.

Mr. Hanes: Take one of these, for instance. Mr. Cartwright, you stated you understood that there were certain agreements made with some of the sub-contractors that they would make a fixed sum of money? A.—Yes, I understood that.

Q.—Here is one dated May 1st, 1914, with A. E. Griffin & Company. You might just take a look at that. Now, if that was one of the contracts where they were to make a fixed sum of money, will you look that over and see whether it states anything like that in it, or see if you can find anything of that nature in it? A.—Well, I understand that that was purely a verbal agreement or something of that kind between them.

Q.—Well, do you say the same thing in connection with these? Just hand these to Mr. Cartwright. I want you to look them over and see if you can find anything of that nature in them? A.—I don't say there was anything in the contracts to that effect.

Mr. Davis: There was no such provision.

Mr. Hanes: Well, I might say this to the members of the Committee: It was stated that some of the contracts which were made contained a fixed price, and when you produced the real agreements it does not show that at all.

Mr. Davis: Mr. Welch will explain it when he goes into the box.

Witness: I did not say there was any contract in writing to that effect.

Mr. Hanes: I just want to ask Mr. Cartwright a few more questions. We will leave the sub-contracts for the moment. We will leave this discussion about sub-contractors. Now, these statements filed here are the prices of the stationmen to the sub-contractors; I am taking your word for it.

Mr. Maclean: Those are the stationmen you are looking at now.

Mr. Hanes: The prices to sub-contractors.

Mr. Maclean: Those are the sub-contractors' prices. I think the stationmen came out on top, anyway.

Mr. Davis: Yes.

Mr. Hanes: Just please hand that to Mr. Cartwright. What would you call that, Mr. Cartwright?

Mr. Pooley: Just ear-mark what that is. That is Exhibit No. what?

Mr. Hanes: 134.

Mr. Pooley: What is the name of the man? A.—T. E. Crouin.

Q.—That is the name of the stationman? A.—Yes.

Mr. Hanes: That is the contract between the stationman and the sub-contractor, is it not? A.—It is a contract between the stationman and the sub-contractor, yes. This is what I would call a stationman's contract.

Q.—Yes, with the sub-contractor? A.—No, not with the sub-contractor; with the stationman.

Q.—Yes, between the stationman and the sub-contractor? A.—Yes.

Mr. Maclean: Yes, that is right.

Mr. Hanes: This is from Station 958 to Station 977, Residency 31.

Mr. Maclean: What is a residency?

Mr. Pooley: The engineer's residency.

Mr. Hanes: Now, I just want you to compare some of these prices per acre; grubbing, \$100.

A.—Yes.

Q.—Was it stated here what residency that was on?

Mr. Pooley: 31.

Mr. Hanes: No, I mean which division—which section.

Mr. Taylor: What division would that be? A.—I did not look to see what the division was.

Mr. Taylor: Mr. Callaghan, what division would that be?

Mr. Callaghan: Horse Lake North.

Mr. Taylor: 4.

Mr. Hanes: Now, you were up in that country, and you could tell me whether \$100 an acre would be a fair price to pay a stationman for that work? A.—Right in that particular place, you mean?

Q.—Yes. And clearing at \$30 an acre? A.—Yes. It was a very light piece around there.

Q.—Earth excavation, 20 cents; would that be a fair price? A.—Oh, I cannot say.

Q.—Well, you were up over that line, and I just want to get your opinion of the price?

A.—Well, I am not going to give you my opinion in that way; I am not going to do it. You would have to go down on the line to give any opinion on that.

Q.—I understood you to say that you knew this location very well and were very familiar with it? A.—Well, I am speaking of the general details of the location, and not what you would pay. I cannot say; that might be sand, for all I know, that they removed there.

Q.—Well, we will go down on to the Cheakamus River, where we know you are familiar with the rock-work. Mr. Callaghan, will you have some of your men pick out the contracts between the sub-contractors and the stationmen along section 2—along the Cheakamus River?

Mr. Callaghan: I don't think I have got them. We did not have them in our possession.

Mr. Hanes: Well, I will ask Mr. Welch's representative to do that. Take McCall & Wilson & McDonald, and C. A. Mitchell, and C. A. McGillivray & Cunningham.

The Clerk: This is McCall & Wilson.

Mr. Hanes: I am just picking out one here. This is the Pacific Great Eastern Company's proposal for grading and excavating and work on the Pacific Great Eastern between Stations 1083 and 1088: "The undersigned hereby proposes, and if this proposal is accepted, agrees to enter into a written contract, if required, with McCall & Wilson to supply all labour and material and complete all work according to the plans and direction of the engineer for said railway, in conformity with the specifications attached hereto"—

Mr. Taylor: I will try to read it: "as entered into between—upon the terms and conditions of the contract prepared therefor, and within the time specified, as follows: Solid rock, 50 cents per cubic yard; loose rock, 25 cents; hard-pan, 25 cents; grubbing, \$75 per acre; charge for black powder"—well, you don't want that.

The Chairman: Mr. Taylor, are we going to get anywhere by going into those in that way? The witness said the only way to arrive at that was to take out your average. For instance, there are some there that show a monstrous discrepancy.

Mr. Taylor: It is always open to any criticism the witness can give. That happens to be an isolated case, and a schedule will show whether it is an isolated case or not.

The Chairman: Well, I noticed one case there, and I think there is only one isolated case where the clearing cost more than the contract price; but that means nothing, because the average price is very much lower, and it seems to me that until we get that analysis we are not getting anywhere.

Mr. Taylor: I think that is for Mr. Hanes to consider. He is asking the question, and I think that is the fair way and the most effective way of getting at the matter—namely, to get a tabulated statement.

The Chairman: Well, I don't want to interrupt Mr. Hanes, but I think that is the only way to do.

Mr. Taylor: I would suggest having a tabulated statement made showing first P. Welch's contractor's prices, and another showing the sub-contractor's, and the next would be the average of the stationmen over that division. Now, then, we have six different divisions of road, and we would have a comparison of them all, and that would be the strongest possible evidence to get.

Mr. Hanes: Well, Mr. Chairman, in reference to that, I have discussed that feature a good deal, and that has been my view all along, as you know, just exactly as you have stated, so I don't think there is any need of discussing that further. At least, there is not any occasion of it as far as I am concerned, for discussing that. But Mr. Cartwright gave certain evidence as to prices, and I as a member of the Committee wish to draw a comparison on these prices before Mr. Cartwright finishes giving his evidence.

Mr. Taylor: Mr. Hanes, your point is this: that Mr. Cartwright took the responsibility of swearing as to the fairness of these prices, without having a tabulated statement of the prices before him.

The Chairman: Well, that is a fair criticism, I think. You have a right to ask any question you like, but I am only making a suggestion so that you could shorten it.

Mr. Hanes: I was intending to go through several prices, but I will just go through this one and quit. This will be quite satisfactory, because this other statement will be prepared and we will get the benefit of that later.

Mr. Taylor: And you are assuming in your question that that is an average price. Assume that in your question, and then Mr. Cartwright can have no objection to your question if you assume that is the average price.

Mr. Hanes: Yes, I will do that. I will assume the average price or cost is 75 cents instead of this 50 cents? A.—Well, wait a minute. You are assuming things, and I am not going to answer questions on terms of assumptions.

Mr. Hall: You are giving expert evidence.

Mr. Hanes: We will deal with this one estimate—this one sub-contract between McCall & Wilson and his stationman. The price given there was 50 cents a yard for solid rock, was it not? A.—I think you said so.

Q.—Well, in your evidence that you were giving this morning, you considered that if the stationmen had high enough classification so that they would break even, that was the right thing to do, to give them enough classification, or a higher classification if necessary, so that they would break even. A.—I said that is a thing that the contractor who made the contract with this stationman could do. But the way it was carried out here, there was nothing dishonest about it. I said also he could have done the same thing by raising his price.

Mr. Hall: How would you say that without having gone into it thoroughly? A.—I am going on the evidence I have heard since I have been here.

Q.—You are making a general proposition? A.—I am answering to the best of my ability.

Mr. Hanes: Well, the line of evidence that we had this morning was that the stationman usually received enough increase in classification, and you said that was justified in order to allow him to break even? A.—Yes.

Q.—Well, you would apply that same thing, I suppose, in this case we are discussing now, that that 50 cents for rock would no doubt pay them for the cost of taking out that rock? A.—I don't know anything about it.

Q.—Oh, you don't know? A.—No, I don't know anything about that.

Q.—Well, could you express an opinion on that? A.—That might have cost that man 75 cents a yard to take that rock out, and he might have only got 50 cents for it. I don't know.

Q.—Well, you stated this morning, did you not, that a contractor was justified in raising the classification to allow the stationmen to break even? A.—Well—

Q.—You were justifying that argument, were you not, this morning? A.—Yes.

Q.—That would equally apply in this case, if the 50 cents a yard would not pay for the cost? A.—It might have been done, but I don't know whether it was done or not.

Q.—Well, it is equally reasonable to suppose it could apply? A.—Yes.

Q.—And you stated that 5 to 10 per cent. profit on solid rock would be sufficient for a general contractor to make? A.—I stated that where the quantities run into the millions.

Q.—Yes; but in this case—just along the Cheakamus River—I will just give you a rough estimate—it can be verified later—that solid rock ran into something like 1,882,000-odd cubic yards. A.—Whereabouts?

Mr. Pooley: On what station?

Mr. Hanes: I am referring to Mile 43 to Mile 162. A.—That is practically 110 miles.

Q.—No; 119 miles—from Mile 43 to Mile 162—it was 1,882,000-odd cubic yards. A.—That is practically 10,000 yards to the mile, isn't it?

Q.—No; it is about 16,000.

Mr. Pooley: How much did you say?

Mr. Hanes: 1,882,000. A.—It is about 15,000 yards to the mile. That is not heavy work. It is not the heavy work I was speaking of.

Q.—Well, how much do you consider would be a fair profit on this work? You have already stated on heavy work from 5 to 10 per cent. What would you state in this case would be a fair profit on that many miles? A.—On that many miles—oh, you cannot put it that way.

Q.—Well, you have already put it that way this morning in reference to large quantities of rock, and I am asking you about this. A.—Wait a minute. I have to answer one question before you put another. The contractor's profit has to be divided all over the line. He might make 25 or 30 per cent. down the Cheakamus Canyon line, but he might lose as much up somewhere else.

The Chairman: Well, Mr. Hanes is asking you to isolate this from the rest, and state what would be a fair profit for a contractor to make there. A.—I cannot answer this in this way.

The Chairman: I think that is a fair question. He is saying that this is the only piece of road to be built, for instance—now, what is a fair profit to be made on that? A.—Well, if you assume it is the only road to be built, and one contractor is doing all the work, I would think that 20 per cent. would be a fair profit.

The Chairman: Well, then, Mr. Cartwright, if there are 1,882,000 yards of rock—at least, I will ask you now for your opinion. You have been over this line; where is the bulk of this rock-work? Isn't it from Squamish, or between Squamish, towards Pemberton, and then along Anderson Lake and Seton Lake? A.—Yes; there is not much of it until you get up about twelve miles above Squamish, and then through the Cheakamus Canyon and down to Anderson Lake.

Q.—Well, you think 20 per cent. would be a fair price to allow on a railway-line of 119 miles long, and with that amount of rock-work. A.—I think it would be about fair. It would be quite all right.

(Witness aside.)

Mr. Taylor: I will call Mr. Anderson as the next witness. Do you wish to call any one else before him?

Mr. Hall: Mr. Maclean, might I make a suggestion? These estimates or rather the schedule that is being prepared will be here shortly, I have no doubt, and won't we save a great deal of time if the expert evidence stays until we get it?

Mr. Maclean: Well, I want to have these gentlemen called because it is very important for them to go away, and it is difficult to keep them here. It will shorten the evidence very much too.

Mr. Taylor: Well, in justice to yourself, you ought to have one of your experts stay here until after that estimate is prepared. I would advise keeping Mr. Bustie here.

Mr. Maclean: Well, I am just going to let him state that he has heard the evidence of Mr. Cartwright in the main, and ask him generally whether he agrees with it or not, and then you can go on and cross-examine him on it.

FRANCIS FERGUSON BUSTIE, witness called on behalf of the Pacific Great Eastern Railway, being duly sworn, testifies as follows:—

Direct examination by Mr. H. A. Maclean, K.C.

Q.—What is your profession? A.—Civil engineer.

Q.—And how long have you exercised your profession. A.—About thirty-five years.

Q.—On what railways? A.—On the C.P.R. Railway, and on—

Mr. Taylor: Just a moment, Mr. Maclean; did you hear what I suggested?

Mr. Maclean: Yes, but I am going to go on with this witness, and I am going to call him afterwards if necessary. It may not be necessary for me to call him, so I can let him go away and thus save Mr. Bustie a lot of inconvenience.

Q.—Go on, Mr. Bustie. A.—Well, those are all the railways I have worked on.

Q.—What work are you doing now? A.—I am not doing anything now.

Q.—Now, you have heard the evidence given by Mr. Cartwright? A.—Yes.

Q.—Do you agree with the views and opinions that he has expressed here this morning, and the evidence that he has given? A.—Yes.

Q.—I understand that Mr. Cartwright is a very eminent man in his profession? A.—He is considered so, yes.

Mr. Pooley: How long have you been with the Canadian Pacific and what position did you hold? A.—Oh, I held the position of chairman to the assistant chief engineer on the Western lines.

Q.—How long were you employed with the C.P.R.? A.—Well, about thirty-three years.

Mr. Taylor: If you want to prove anything by Mr. Bustie you ought to ask him the questions now. I have nothing to ask Mr. Bustie except to follow up the line that you take, and if you ask a man to give an omnibus answer there is nothing to question him on.

Mr. Maclean: That is the line that I take.

Mr. Taylor: Very well, I haven't anything to ask Mr. Bustie. If that is all, I will call Mr. Anderson.

(Witness aside.)

WILLIAM DUNCAN ANDERSON, a witness called on behalf of the Department of Railways, being first duly sworn, testifies as follows:—

Mr. Taylor: Mr. Anderson, you have been until lately in Mr. Callaghan's office? A.—Yes.

Mr. Pooley: What is your full name, Mr. Anderson? A.—William Duncan Anderson.

Mr. Taylor: When did you cease to be connected with his office? A.—On February 22nd of this year.

Q.—And what was the reason that you ceased to be connected with him; what reason was given you? A.—There was no reason given me at all.

Q.—Was your work completed or not? A.—I don't think so. They are still working now at the same work.

Q.—Do you know who took your place after you left? A.—Mr. McKenzie.

Q.—Was there any complaint as to your work at the time you left? A.—Not that I know of; it was not stated.

Q.—How long were you in the office? A.—From July, 1916, till February, 1917.

Q.—Were you connected with the Pacific Great Eastern construction-work before that time? A.—Yes.

Q.—In what capacity? A.—Well, in different capacities; but mostly as resident engineer upon the field.

Q.—On what sections of the road, or divisions of the road, were you engineer on? A.—3 and 4.

Q.—Your divisional engineer would be whom? A.—Mr. Crysedale and Mr. Merriam.

Q.—During what length of time were you the resident engineer on those sections or divisions? A.—On No. 3 I was the resident engineer for about three months, and on No. 4 I was resident engineer for fifteen months, I think.

Q.—Between what time—between what dates were you the resident engineer on those two divisions—beginning when and ending when? A.—On May, 1914, until June, 1914, I was on No. 3, and from July, 1914, to August, I think it was 1915, I was on No. 4.

Q.—You were on No. 4. I just wanted to open up with Mr. Anderson and will continue with him at the next session. I would ask now for the production by Mr. Callaghan of all the chief engineer's books, and all his copies and vouchers—his office copies, are they here?

Mr. Callaghan: I will see.

Mr. Taylor: I would like to have them filed before we adjourn. To-morrow Mr. Welch will have those other papers here that have been mentioned.

The Chairman: Mr. Callaghan, have you got those estimates that Mr. Anderson asked about?

Mr. Callaghan: You mean the vouchers and books?

Mr. Anderson: No; the estimates and vouchers of the total cost of construction that I asked you about last night.

Mr. Callaghan: Those that were prepared before the line was finished.

The Secretary: I mean all the important estimates you made with regard to the cost.

Mr. Callaghan: Well, that is the only one I think that covers the whole distance (indicating document). There are others partially covering it—covering parts of the line; but this was made up on January 30th, 1914, and was the estimate that we made at that time as covering the whole distance.

Mr. Maclean: Is that all one exhibit?

Mr. Anderson: Yes; I think you can put it in all as one.

Mr. Maclean: What is the date of it?

Mr. Hall: This is a letter to Sir Richard McBride dated 30th January, 1914, and is a letter from Mr. Tate.

Mr. Taylor: Is that the total estimated cost?

Mr. Callaghan: Yes.

Mr. Taylor: What is the total estimated cost of the road, just to put it on the notes? What is given as the total cost?

The Secretary: \$27,811,927.40. You give that as the estimated cost of construction?

Mr. Callaghan: Yes.

The Chairman: Have those papers come in yet?

Mr. Taylor: No, not yet; but they can be filed to-night for our convenience. You might adjourn now.

Session adjourned till 8.30 p.m., March 28th, 1917.

FIFTEENTH SESSION.

WEDNESDAY, March 28th, 1917.

The Committee of Inquiry herein met at 8.30 p.m. pursuant to adjournment.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, W. R. Ross, and R. H. Pooley; S. S. Taylor, K.C., appearing as counsel for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway; Messrs. E. P. Davis, K.C., and J. M. Ellis, appearing as counsel for Messrs. Foley, Welch & Stewart.

Mr. Taylor: That last exhibit that was filed I think should be read to the Committee. That is the first estimate of cost.

The Chairman: Have you got it there?

Mr. Taylor: Yes. Exhibit 145. There are a great many estimates here, but the one of great importance is the first here. I see there was a final estimate made, but not signed, as late as January, 1917. It is not signed, but has a blank for the chief engineer.

The Secretary: Was that signed by Mr. Callaghan?

Mr. Taylor: No, just a blank—chief engineer.

The Secretary: That is by Mr. Callaghan?

Mr. Thomas: That is the estimate that is incorporated into that one file before.

Mr. Taylor: Victoria, B.C.—was that intended to be signed by Mr. Callaghan?

Mr. Thomas: I think Mr. Callaghan signed it.

Mr. Taylor: It is headed "Pacific Great Eastern Railway, estimated additional expenditure after December 31st, 1916, necessary to complete the line from Vancouver to Fort George."

Mr. Maclean: This is Exhibit 146 you are putting in?

Mr. Taylor: No; it is part of Exhibit 145, showing the amount necessary to expend, not including interest, equipment, and legal costs, etc.; presumably only including the things mentioned here, which are the main costs of construction.

The Chairman: They don't estimate the legal cost?

Mr. Taylor: No.

Mr. Maclean: As a matter of fact, they amount to ridiculously little in this case.

Mr. Taylor: The amount necessary to finish the road after December, 1916, according to this, is "\$8,550,679."

The Chairman: What date is that?

Mr. Taylor: It is made out March 24th, 1917, but it is an estimate as of December 31st, 1916. It does not include anything for equipment. Apparently it does not include any of the debts of the Railway Company to the Development Company, and things of that sort.

The Chairman: Are you reading that letter?

Mr. Taylor: Yes, I am reading the first letter. Now I will read the first estimate, which is in the shape of a letter, supposed to be signed by Mr. Tate; this one is in blank; it reads as follows. It is Exhibit 145 and is dated January 30th, 1914:—

"Honourable Sir Richard McBride," etc. DEAR SIR,—With further reference to my letter of the 20th instant, I submit below a closely approximate estimate of the cost to build the Pacific Great Eastern Railway from Second Narrows of Burrard Inlet, Vancouver, to Fort George, and separately, for the purpose of comparison, an estimate of the cost of that portion between Vancouver and Clinton, 209.23 miles; of very heavy work.

"Estimated cost of line, Pacific Great Eastern Railway, from Second Narrows, Vancouver, to Fort George, right-of-way and station-grounds, \$1,401,600. Grading, tunnels, bridges and culverts, crossings, signs, fencing, etc., \$19,179,289.40; ties, rails, fastenings, track-laying, and surfacing, \$5,333,398; station buildings and fixtures, section-houses, water and fuel stations, \$637,640; engine-houses and turntables, \$360,000; engineering expenses, \$900,000; total, \$27,811,927.40. Average cost per mile, \$58,014.03. The average cost is based on a total distance of 479.4 miles.

"As you are aware, we have only a preliminary survey over a portion of the line. Final location surveys may cause slight changes in the figures. The above figures are based on information at present available from present surveys.

"Estimated cost of line, P.G.E. Railway, from Second Narrows, Vancouver, to Clinton, 209.23 miles; right-of-way and station-grounds, \$631,702; grading, tunnels, bridging and culverts, crossings, signs, fencing, etc., \$10,742,926."

Mr. Maclean: That is the total for that, is it?

Mr. Taylor: Yes.

"Ties, rails, surfacing, fastenings, track-laying, and surfacing, \$2,357,147."

Mr. Maclean: In addition to that?

Mr. Taylor: Yes, these are all in addition. I am working up to the total. This is Clinton (reading):—

"Station buildings and fixtures, section-houses, water and fuel stations, \$275,538; engine-houses and turntables, \$270,000; engineering expenses, \$400,000; total, \$14,677,313; average cost per mile, \$70,149.18.

"Taken in sections, the cost of construction runs as follows: Vancouver to Newport, 44.6 miles, \$103,536.55 per mile; total, \$4,617,730. Newport to Clinton, 164.63 miles, \$61,104.20 per mile; total, \$10,059,583. Clinton to Fort George, 270.17 miles, \$48,616.11 per mile; total, \$13,134,614.40." The total of these three figures is \$27,811,927.40; average cost per mile, \$58,014.03.—Respectfully submitted, Yours truly, Vice-President."

The Secretary: What is the date of that, Mr. Taylor?

Mr. Taylor: January 30th, 1914.

The Secretary: Well, what does the letter refer to there of Sir Richard McBride's?

Mr. Taylor: It says, "With further reference to my letter"—that is Mr. Tate's letter.

The Secretary: Of what date?

Mr. Taylor: Of the 20th instant; that is, of January, 1914.

The Secretary: Could the Committee have that letter?

Mr. Taylor: Have you got a copy of your letter of January 20th, 1914, to Sir Richard McBride?

The Clerk: I will look it up.

Mr. Maclean: Mr. Taylor, I wish you would produce here Mr. Kennedy's report on the whole line.

Mr. Taylor: I think that is the one that is in.

Mr. Maclean: No; those are other reports.

Mr. Taylor: Mr. Secretary, will you produce Mr. Kennedy's report on the whole line? I am sure it is right there.

Mr. Maclean: Is it in that bundle?

Mr. Taylor: Yes.

The Secretary: It is not in that Exhibit 145, Mr. Maclean.

Mr. Maclean: No; that is not the date of the one that we were speaking of.

Mr. Pooley: It was one of May some time last year.

Mr. Taylor: There are two reports filed. There are three altogether, are there?

Mr. Maclean: Yes. There is a general report on the whole line, and I would also like to have produced from the Department of Finance, or any officer of the Government in possession of it, the contract with the correspondence.

Mr. Taylor: Well, you had better be more definite than that. What do you mean?

Mr. Maclean: Welch's contract.

Mr. Taylor: Have you got Welch's contract of the 23rd day of December, 1912?

Mr. Bullock: Exhibit 3.

Mr. Taylor: That was produced by Mr. Tate.

Mr. Bullock: No, I have not got it.

Mr. Taylor: No; the other one was never filed. You heard me, Mr. Maclean? I am instructed Mr. P. Welch's contract was never filed with us; it was never filed with the Government. Mr. Tate, since Mr. Oliver became Minister of Railways, furnished Mr. Oliver with a list. They have the original prices, but not the altered prices, and not the copy of letters attached to Exhibit 3.

Mr. Maclean: They certainly have that one with regard to surfacing. I gathered that from looking at the letters.

Mr. Taylor: Well, I am so instructed, and I do not know anything more than what I have told you.

Mr. Maclean: All right. Is that the report?

W. D. ANDERSON, witness, resumes stand.

Mr. Taylor: Now, Mr. Anderson, to proceed with you, you have given us the fact that you were in the employ of the Company and left lately. You were both on the line and in the office? A.—Yes.

Mr. Maclean: This looks like an agreement; just wait one moment.

Mr. Taylor: We will take the last of your career first.

Mr. Pooley: The report I was thinking of was the one to Mr. Gamble of April or May of last year.

Mr. Maclean: That is not the document I wanted.

Mr. Taylor: Mr. Pooley, would you mind looking for it?

Mr. Maclean: Well, those are not the reports I want. That is not the one I want. There is still another one.

The Secretary: Which one do you want, Mr. Maclean?

Mr. Maclean: I want a report on the whole line that has not been put in.

The Secretary: What is the date?

Mr. Maclean: I don't know the date.

Mr. Taylor: Now, I shall have to file another letter. It is a letter of January 20th, 1914, from Mr. Tate to Sir Richard McBride. That will be Exhibit what, Mr. Anderson?

Mr. Maclean: Exhibit 146. What is the date of it?

Mr. Taylor: January 20th, 1914. The one referred to in Exhibit 145, reading as follows:—

"On behalf of the Pacific Great Eastern Railway Company, I beg to apply for an extension of the Government's guarantee of this Company's securities from four hundred and fifty (450) miles to four hundred and eighty (480) miles, as our engineers' surveys have demonstrated that the distance between Vancouver and Fort George by our line will be four hundred and eighty (480) miles, instead of four hundred and fifty (450) miles as anticipated.

"On account of the high cost of construction, closely approximate estimates of which will be furnished you, I also beg to apply for an additional guarantee by the Government of ten thousand dollars (\$10,000) per mile of four hundred and eighty (480) miles, the total length of the railway.

"I further beg to apply, on behalf of the Company, for a guarantee by the Government of securities of the Company amounting to thirty-five thousand dollars (\$35,000) per mile for the construction of a line of railway from Fort George by the most feasible route to a point on the eastern boundary of the Province between the fifty-fifth (55th) and fifty-sixth (56th) parallels of latitude, a total distance of three hundred and fourteen (314) miles.

"In April or May next, upon the completion of the Grand Trunk Pacific Railway, there will be released from that work a force of ten thousand men and a large plant, consisting of a number of steam-shovels, etc., that Messrs. Foley, Welch & Stewart now employ there. There will also be available for our service river-steamers to operate between Fort George and Soda Creek. If the Government sees its way to now granting the above requested assistance, the entire line can be fully covered to Fort George and from Fort George northerly, ensuring the completion of the road to Fort George in 1915 and the balance of the line to the eastern boundary of the Province early in 1916.

"Having the large force of men and plant now on the ground, it would be a great loss to the Province if the men are allowed to leave the country; and at no future time could the northerly extension be built so quickly and economically; saving the country the earnings of this large number of men and opening for settlement the northern country at least two years earlier than would otherwise be possible. I therefore urge that the necessary legislation be passed at this session of the House."

The Chairman: What is the date?

Mr. Taylor: 20th January, 1914, and it is referred to in the one I just read, Exhibit 145, where the total cost was put at \$27,000,000-odd to Fort George. You will notice on January 20th, 1914, a year and a half after this contract was let, Foley, Welch & Stewart's plant was still working on the Grand Trunk Pacific.

Mr. Hall: What exhibit is that, Mr. Taylor?

Mr. Taylor: Exhibit 146.

Mr. Taylor: Now, Mr. Anderson, to deal with the last matter first; you were present when a telephone message apparently came over from Victoria that some person from the Railway Department was coming over to ask certain questions of Mr. Callaghan? A.—I was not present when the telephone message came, but Mr. Callaghan told me about it the next day.

Q.—And did you receive any instructions from Mr. Callaghan as to what you should do? A.—No; evidently the telephone message came on Saturday, and his clerk phoned me on Sunday.

Q.—Who was it telephoned you? A.—Walkem was his name.

Q.—What did you do as a result of that message? A.—I looked up the foundation excavations that had been overpaid.

Q.—On Sunday? A.—Yes.

Q.—Did you see Mr. Callaghan on Sunday? A.—He was there with me.

Q.—Did he say anything that caused you to look up those papers? A.—Well, he told me that Mr. McIntyre phoned him on Saturday night that Mr. Oliver would be over on Monday.

Q.—Yes. A.—About this overpayment and the foundations.

Q.—And what did you do on Sunday—you or any one else—Mr. Callaghan and any one else with you; what did you do in respect to that matter or any other matter on that Sunday? A.—We looked up the yardage of the foreman, and Mr. Callaghan was to look up the material that he might have paid for as foundation excavations—for the excavating of the bridge-pits and on the slopes. That is about all we did on the Sunday.

Q.—And what did you do on Monday? A.—Mr. Oliver came over about 9 o'clock, or half-past or so, to the office.

Q.—In the morning? A.—Yes.

Q.—Yes, and what happened then? A.—He asked Mr. Callaghan his reasons for paying for this foundation excavation.

Q.—You heard him, did you? A.—Yes.

Q.—And what did Mr. Callaghan say? A.—Mr. Callaghan admitted that it was an overpayment.

Q.—An overpayment? A.—Yes; and pointed out that he might have paid this for the material of the bridge-pits in the foundation estimates.

Q.—Was there anything else discussed in your presence between these two gentlemen? A.—Yes; the overpayment in bridge material—paying for merchantable lengths instead of

timber in place. Mr. Oliver asked Mr. Callaghan for his reasons for going back on the specifications in those, and Mr. Callaghan did not offer any excuse at all. He simply said it had been paid.

Q.—Did Mr. Oliver refer to the—

Mr. Maclean: Don't lead; let him say it, please.

Mr. Taylor: Just allow me, please. Paying for merchantable lengths in bridges? A.—Yes.

Q.—What do you mean by that? A.—Well, what the mills charge for timber and dressed stuff and material that was done in the rough.

Q.—Well, how much did that amount to? A.—I took it roughly off the sheet, and I made it 103,000 feet.

Q.—Was it you that prepared that statement that has been filed, said to be given by Mr. Callaghan to Mr. Oliver, which Mr. Callaghan corrects as 403,000? A.—Well, I took that off a statement in the office that I had got a few months before.

Q.—You just took it off roughly? A.—Yes.

Q.—Now you say that Mr. Callaghan offered no excuse? A.—No, he offered no excuse. He simply said that it had been paid; and Mr. Oliver said: "I suppose from that I will draw my own conclusions," and Mr. Callaghan did not answer.

Q.—You have heard Mr. Callaghan's answer now as to the reason for making these payments and justifying them. Were any of these reasons given to Mr. Oliver that he has given in evidence as justifying the payment of that bridge material that he paid to Culliton? A.—No, he offered no other reason.

Q.—On those two subjects you have heard discussed—on this Exhibit 74, the timber structure specifications—now, what have you to say about the existence of those specifications as far as your office was concerned? A.—Well, as far as I know, these specifications have always been taken by the field engineers as the specifications covering the work.

Q.—And did you have a copy of that when you were a field engineer? A.—Yes, I had.

Q.—Furnished you by whom? A.—Well, they furnished me a set of all the standard plans and specifications and that was among them.

Q.—That specification provides in one section that no teaming shall be allowed, and in another section, as to bridges and trestles, they shall only be allowed for the material in the work; and in another section—I think this is section 33—that no false-work should be paid for. When I remind you of that, you say those were the specifications that were furnished you? A.—Yes.

Q.—And which guided you in the field? A.—Yes. Of course, I have no bridge-work to do. I was almost entirely on grading; but these specifications were furnished, as a matter of form, to the engineers on the field.

Q.—Returning, then, to these crib excavations, there is nothing much more to be said about that. Mr. Callaghan, I think, admits everything else.

Mr. Callaghan: We have discussed that pretty thoroughly.

Mr. Taylor: I don't think there is anything left to discuss.

Witness: About these crib foundations, I heard Mr. Callaghan say that the first time he heard about the payment was on February 11th, and, as a matter of fact, he told me he knew all about this payment.

Q.—When did he tell you that? A.—He told me that after Mr. Oliver left, and he told me on the Sunday when we were looking over the books; in fact, every month he signed an estimate with that on the sheets, and he could not help but see it when he signed it.

Mr. Maclean: Are you reasoning it out from that? A.—He told me so, and he signed his name every month to the sheet that had the amount of that on the estimate. If I had the estimate I could show it to you.

Mr. Taylor: It might be just as well to get that now. Which estimate do you wish? A.—Give me the November, 1914, or any of those months.

Q.—That is the one produced by Mr. Callaghan? A.—Here is section 2—the excavation.

The Chairman: Just a minute. What exhibit have you got there? A.—This is part of—I don't know.

Mr. Maclean: What is the number of the exhibit? It is not marked here; it is not on this, but this is part of another one.

Mr. Taylor: Just wait a second.

The Chairman: Well, is the number of the estimate on there? A.—Yes.

Mr. Ross: On the cover? It is 25. A.—Yes, 25; November, 1914.

The Chairman: It is Exhibit 72. This is Estimate No. 25 of Exhibit 72? A.—Yes. Now, here on the first sheet is excavation crib foundations, 5,072.2 at \$3 a yard, carried in the last column, and that is the same on section 3. Approximately it is \$30,000 on section 3.

Mr. Taylor: Turn that up? A.—This month——

Q.—What month is that? A.—This was November, 1914, the same month, only there is not so much. There was some put on afterwards. This year it was more than that. That would come in the following estimates, you see.

Q.—And you say that he signed these estimates each month and could not help seeing these quantities? A.—Well, they were laid before him just in the shape that they are here, and he signed it as in this sheet. That is sheet No. 4 of the pay-sheets. It consists of four sheets, and gives the estimate while the grading operations are going on, and so forth. It consisted of four sheets, and Mr. Callaghan signed the fourth one, just in the form of this one here. These are carbon copies.

Q.—How were those made out? How many copies? A.—I think there were two copies sent to the Victoria office, and one copy to P. Welch's office, and then we retained one copy.

Q.—That would be four copies? A.—Yes.

Q.—And who makes up those for Mr. Callaghan? A.—Mr. Howatson, the chief clerk, who was in the office then; he made them out, and after Mr. Howatson left I made them out.

Q.—And from what data would you make up those? A.—From the field estimates returned by the field engineers.

Q.—From the field engineers? A.—Yes.

The Secretary: That is to say, the resident engineers? A.—The resident engineers' copies would be sent in; but I might say this: that the quantities for this crib foundation were always sent in by the resident engineer on the grading sheets, but no price fixed, and there is no place where that \$3 could have been fixed except in Mr. Callaghan's office. As far as the field engineers were concerned, they had nothing to do with fixing the prices. They simply returned their quantities.

Q.—For grading, solid rock, or loose rock, or earth? A.—Yes; and in those crib foundations there is a certain amount of material chargeable to certain sheets—under certain headings; and in this case this was chargeable to grading and tunnels. This is the sheet here that refers to that, and this shows excavating crib foundations on that grading and tunnel sheet; that is according to the specifications chargeable to grading, and it should be chargeable at the rate of 55 cents and \$1.45 and the prices specified; and then there is another sheet here headed "Bridging and culvert," and in the excavation and foundations there it is for bridges and culverts, and so forth; so this estimate on cribs would never be shown on this bridging sheet.

Q.—And it could not get mixed up with it? A.—No, it was impossible.

Q.—It could not get mixed up with water crib foundations? A.—No; it was obvious to any one who had been on the work that these crib foundations, if they knew the country at all, were on a side-hill. Section 3, for instance, is not anywhere near water. That is up on a side-hill, and it runs up as high as 300 feet from the Fraser River, and comes in at Kelly Creek into the summit there.

Q.—Now, that is the item that Mr. Callaghan said amounted to a wrong classification to the extent of \$150,400 and some odd dollars? A.—That is the one he was referring to.

The Chairman: Whose mistake would that be? A.—It is not any mistake of the field engineers. They return the classified material, and the only thing that remained to do was to fix the price of it, and the only place the price could be fixed was in the chief engineer's office.

Mr. Taylor: And the mistake consists in making it out at \$3 instead of the grading at the classification prices? A.—Yes.

The Secretary: Were you returned the classification material for the sub-contractor? A.—Yes. You mean in this particular item?

Q.—In any of these bridge foundations? A.—Well, on my work I had no foundations. I understood that all the excavations and foundations were classified by the divisional engineer.

Q.—Well, did these divisional engineers on the work that you were the resident engineer on go over your work and check up your classification? A.—Well, as a matter of fact, I may

say that the divisional engineer himself very seldom classifies the work; it is either the assistant engineer—

Q.—Who do you mean by the assistant engineer—the chief engineer? A.—No; the assistant to the divisional engineer. You see, he would have four or five residencies to look after, and the assistant engineer would report, and these returns would be later sent in to the chief engineer.

Q.—You always consider that the divisional engineer would check up his assistant? He would check up his resident engineer? A.—Yes; but there was nothing to check up on the resident engineer, as far as classification was concerned. For instance, on the work I was on, when the station gang finished, he would classify it, of course. He would carry the progress estimate on each month; the resident engineer would probably classify it, but that is not a final settlement; and when the station gang had finished they would classify the material then to let the stationman off; then that was turned in by the foreman, and in some cases it was cut down from that by the sub-contractors.

Q.—The divisional engineer, or the assistant divisional engineer, would do just exactly what the resident engineers were doing? A.—Exactly.

Q.—And they were, as you were supposed to be, and you always recognized them to be, responsible to the chief engineer? A.—Yes.

Mr. Maclean: I will just ask him one or two questions. You knew the country where this work was being done—this foundation work? A.—Yes. I know the country from Anderson Lake to Lac la Hache very well.

Q.—And the moment that you would look at that sheet and see that wet foundation—
A.—Where is that?

Q.—Haven't you got the \$3 item there? A.—Excavation crib foundation—

Q.—Isn't that a wet foundation?

The Secretary: That estimate doesn't say it is a wet foundation.

Mr. Maclean: Well, when you looked at it did you know it was wrong? A.—Certainly, I did.

Q.—You knew it was wrong? A.—Yes.

Q.—And you made up some of these, did you? You have told me, as I understand, that you made up some of these? A.—Yes, during the latter part, when no work was going on, but I never touched that item at all. That was paid before I touched those estimates.

Q.—Was that item in any of the sheets you made up? A.—It was contained in them.

Q.—Well, don't let us get away from that. Just get me one of those sheets you made up, when you had it just like that. A.—Give me December, 1916.

The Secretary: Were you instructed to classify it in any way? A.—We were instructed to classify it just as it was found.

Q.—You were told to do that? A.—Well, the resident engineers, I understand, were.

Mr. Maclean: You understand that, but I want to get you down to the facts.

Mr. Taylor: He is getting down to one just now.

The Chairman: You asked him to produce something; let him do it. Is it there? A.—No; it is not shown on this. I want you to understand, Mr. Maclean, before you go any further, I believe I never had a sheet showing this excavation.

Q.—Well, just tell me? A.—Wait a minute till I finish. You see, this is sheet No. 2, and the first sheet is this one, showing the grading you see—clearing, grading, and so forth. This sheet shows the track, ties, and so forth; and that amount at the bottom of this sheet was carried forward on to that one, if there is no estimate on this one, and during 1916 I made out estimates where there was no grading at all; and therefore the amount was in that total amount carried forward. So therefore you can see it there.

Q.—Well, you have said that you made out some of these sheets? A.—Well, I thought I might have; but I see I didn't.

Q.—So you say you didn't now? A.—Yes.

Q.—Are you sure about that? A.—Well, of course, I cannot remember every detail.

Q.—Can you refresh your memory by looking at these papers? A.—Well, I was looking at this one.

Q.—Well; I want to know whether you ever made up a sheet showing that item in that shape.

The Secretary: Showing what item?

Mr. Maclean: This \$3 charge in that column.

The Secretary: He didn't have anything to do with settling the price, did you?

Witness: No.

Mr. Maclean: But you made this sheet out? A.—On instructions.

Q.—But you made that one out? A.—No, I didn't.

Q.—Well, who made out that sheet showing that price? A.—I don't know. I don't think I ever made one out like that. It would be November and December; those would be the two estimates I made out, 1916.

The Secretary: So you don't know anything about this? A.—No.

Mr. Maclean: He said he would know it was wrong, and I want to get at that first of all, how he would know it. Now, what made you think you had made out some sheets? A.—Well, I thought possibly these had been carried forward in the total, and I see now I did not make it out.

Q.—Well, you said you did not do anything of the kind, but you knew it was being done?

A.—Well, when I came in the office, I found it out, after I was a few months in the office.

Q.—How did you find it out? A.—By looking at it.

Q.—You found out that it was wrong? A.—Yes.

Q.—And you knew it was wrong? A.—Yes.

Q.—And what did you do when you discovered that error? A.—I asked Mr. Howatson, who was then responsible for the clerical work in the office, about it, and he said that had been done on instructions from the chief engineer.

Q.—Did you speak to Mr. Callaghan about it?

The Secretary: Mr. Maclean, was it his position to ask these questions?

Mr. Maclean: I just want to ask him whether he did or not.

Witness: No, I did not ask Mr. Callaghan, if that is what you mean.

Mr. Maclean: Did you at any time draw Mr. Callaghan's attention to this particular matter?

A.—No, I did not; it was not my place to do so at that time.

Q.—That was the particular matter I was talking about.

The Secretary: He says it was not his position to do it.

Mr. Maclean: I am entitled to cross-examine this witness. I simply want to find out whether it is his duty or not.

The Secretary: But you surely must realize what this gentleman's position was there.

Mr. Maclean: Mr. Anderson, he started out by saying that he made out those sheets himself, and he knew it was wrong the moment he saw it, and I want to dispose of that. Now we have got to this, I understand: That you never made out one of those sheets containing that item?

A.—No; but it was contained in the total amount.

Q.—It was contained in the total amount. And did you know that? A.—Yes, I knew it.

Q.—That is, you made out that sheet for Mr. Callaghan's signature? A.—Yes, during the last two months I was in the office.

Q.—During the last two months, when you knew that item was in there—and you knew it was wrong? A.—Yes.

Q.—Now, you were the man, after Howatson, who was charged with the duty of dealing with that matter, weren't you? A.—Yes.

Q.—Did you then draw Mr. Callaghan's attention to this matter? A.—No; not after Mr. Howatson had drawn his attention to it. I did not think it was necessary.

Q.—How do you know that Mr. Howatson had drawn his attention to it? A.—Because he told me so.

Q.—He told you so, but you did not hear him tell him that, did you? A.—No, I was not present.

Q.—Well, that is only Mr. Howatson's account; but you knew it perfectly well. A.—You must remember, Mr. Maclean, that that had been paid before I had anything to do with it.

Q.—I understand—

The Secretary: Just wait a minute; just let the gentleman explain it.

Witness: So I could not stand responsible for anything that had been paid before.

Mr. Maclean: I am not asking you to be responsible for anything that was paid? A.—Well, that is what you are driving at.

Q.—I want to know whether you knew that thing had been done, and you considered it your duty to draw your chief's attention to the error? A.—I drew my chief's attention to other things, and he overrode me every time.

Q.—Is that the reason you did not draw his attention to this particular one? A.—After numerous other things—

Q.—Well, never mind the other things, I simply want to know why you didn't draw his attention to this particular matter. A.—Well, I said there were probably other things I drew to his attention, and I did not get to this thing at the time.

Q.—Was that the reason? A.—It might have been.

Q.—You knew it was your duty to do it? A.—No, I did not consider it was my duty to do it, after I told Mr. Howatson about it.

Q.—Didn't you think you could say a little to Mr. Callaghan about it? A.—Not very much. He discouraged anything like that.

Q.—Well, if Mr. Callaghan knew all about this particular matter, why did he send for you and the other man, Howatson, in his office, to find out about it that Sunday night? A.—Well, he knew it had been paid. He wanted to get the correct amount that had been paid.

The Secretary: Mr. Maclean, Mr. Callaghan said he did not know anything about these estimates. You quite realize that, don't you?

Mr. Maclean: Yes.

The Secretary: And why shouldn't he go to work and send for any of the resident engineers and any of the clerks that were on this work in order to find out something?

Mr. Hanes: Just a moment. I am going to speak to the Committee. As I understand it, Mr. Chairman, the Committee already have letters on file here as exhibits, between Mr. Callaghan and Mr. Merriam—in 1914, I believe—about these side-hill cuts; as to whether they should be cut in the excavation, in the ordinary excavation, or excavating for foundations; so this matter was known to Mr. Callaghan during 1914, and Mr. Anderson is talking about 1916 when he prepared that statement.

Mr. Maclean: We know about that. We know what is in those letters. At all events, you did not draw his attention to this matter. A.—We spoke about it after Mr. Oliver's visit.

Q.—But not until he spoke about it to you? A.—We discussed this matter afterwards.

Q.—And the reason you didn't do it before, you say, was because you thought that he probably would pay no attention to what you said; is that it? A.—Yes, that probably was the chief reason.

Q.—That was the chief reason. Tell me the other one. You have another one? A.—I said there were other things.

The Secretary: Why should he tell them.

Mr. Maclean: This is rather an important matter. Don't interrupt me.

The Secretary: Why aren't you fair to the witness, and consider his position? He was not the chief engineer.

Mr. Maclean: Just a minute, Mr. Anderson. He has just said that he has two reasons—chiefly one, and something else, and now I want the chief one.

Mr. Hall: Now, Mr. Maclean, just be fair. He has given you three or four reasons already. He has given you the fact he told Howatson; he has given you the fact that he was discouraged; and he told you he had made other complaints and was balked.

The Secretary: He is not the chief engineer of this road, and it was not up to him to go and make suggestions to the chief engineer. It is not up to the resident engineer to do this.

Mr. Maclean: I realize, as far as I understand it, that if a mistake was made there, he ought to have gone to his chief to avail himself of that knowledge.

The Secretary: It is up to his chief to know what the estimates were.

Mr. Pooley: I submit, with all fairness, that Mr. Maclean has the right to cross-examine this witness in whatever—

The Chairman: Yes, I think so.

Mr. Maclean: Do you think I have gone too far?

The Chairman: No. You are cross-examining him and we will save time by letting you proceed.

Mr. Taylor: I think the witness can take care of himself.

The Secretary: But I want Mr. Maclean to be fair to the witness. He is not the chief engineer of this road.

Mr. Pooley: Well, I will just draw the Secretary, Mr. Anderson's attention to the fact that he did not stand up for the other witness in the same way he is doing now.

The Secretary: What witness have I not stood up for?

Mr. Pooley: Well, it is neither here nor there, but it was one of the other witnesses.

The Secretary: He was an engineer who had had a very large experience, and why should I stand up for him? I did not hold any brief for a man who has had forty years' experience in engineering.

Mr. Pooley: Well, why do you hold a brief for this witness?

The Secretary: Well, he does not pose as a chief engineer. He has not had a large experience.

The Chairman: Well, this discussion is quite unnecessary; let us proceed.

Mr. Maclean: Mr. Anderson, I want your chief reason now for not drawing the attention of Mr. Callaghan to this matter. A.—Well, I did not say it was a chief reason.

Q.—You said the chief reason, and I want your chief reason. A.—Well, probably I did not get around to it. I have other things that I was taking up with the chief from time to time, and probably I did not get to this one.

Q.—Did you consider it was so unimportant that it would stand until a lot of other things were disposed of? A.—Well, I had a lot of other things to look after.

Q.—Did it strike you as being a matter of importance? A.—There were so many other things to attend to I did not get time for this.

Q.—Did it strike you as being a matter of importance? A.—Yes, they were all important.

Q.—Did it strike you as being a matter of great importance? A.—Well, no greater than any of the other overpayments that were discussed.

Q.—No greater than any of the other payments? A.—Overpayments.

Q.—You are not suggesting anything wrong on behalf of Mr. Callaghan, are you? A.—Why, he was aware of it years before I was, according to what he told me.

Q.—When did he tell you that? A.—He told me that Sunday; I think that was the first time he told me. He blamed it on Mr. Merriam, the divisional engineer, in the first place, and Mr. Merriam had left the work long before this. I don't know just exactly when.

Q.—I see. Now, is that the reason? We are getting down to it; is that the reason you did not draw his attention to it, because he knew it? A.—Well, what would be the use if he knew it?

Q.—Well, is that the reason; you have given several reasons why you did not do it? A.—It might have been one of them.

Q.—That might have been one? A.—Yes.

Q.—Well, was that one? A.—It might have been.

Q.—It might have been? A.—Yes.

Q.—Was that one reason, and a great big important reason? That was the all-sufficient reason, if he knew—you did not have to draw his attention to a thing that he knew, did you? A.—No.

Q.—Well, that was the reason, and the only reason, wasn't it, that you did not draw his attention to it, because he knew? A.—I have already given you about half a dozen reasons.

Q.—Well, wouldn't that be quite sufficient? A.—Yes; all the reasons I gave you before I think are sufficient.

Q.—This is the last one that we have got down to? A.—It might have been the one.

Q.—You are not quite sure that it was? A.—It might have been one.

Q.—Well, you are not sure that it was one? Now, Mr. Anderson, you swore that he told you he knew this years before? A.—He told me he knew it when Mr. Merriam was on the job.

Q.—How many times did he tell you that—once or twice? A.—Well, we discussed it after Mr. Oliver's visit.

Q.—Well, he didn't tell you that until after Mr. Oliver's visit? A.—I said it was discussed the Sunday before Mr. Oliver's visit.

Q.—Very well, that is not the reason why you did not draw his attention to it long before. That might have been the reason after that Sunday for your not drawing his attention to it,

but it was not a reason before that Sunday, was it? A.—Let me get to that again. I don't understand it.

Q.—He did not tell you that until Sunday. Now, just give me the date of that Sunday?

A.—The 12th of February.

Q.—February 12th? A.—Yes.

Q.—Now, that it is the first time he told you he knew of this error? A.—Yes; but it is not the first time I heard it, by any means.

Q.—Well, will you stick to that; that is the first time? A.—That is the first time he mentioned it.

Q.—Well, therefore, that is not the reason for your not telling him about it before February 12th, 1917, is it?

The Secretary: What is your question, Mr. Maclean?

Mr. Maclean: He says Mr. Callaghan told him on Sunday. That is the first time Mr. Callaghan ever did tell him.

The Secretary: What Sunday?

Mr. Maclean: Sunday, February 12th, 1917. And therefore that reason did not operate on this man's mind to prevent him telling Mr. Callaghan before that date.

Witness: Can't Mr. Callaghan look after his own work? He was the chief engineer and should know everything that was going on in the office.

Mr. Maclean: You knew all about it? A.—Well——

Q.—You did not know he would know all about it? A.—Well, I had no reason to think that Mr. Howatson was lying to me about it, when he told me that he had told him. Mr. Howatson's word was as good to me as any one's.

Q.—Now we will pass along to the Sunday evening. What did you do that Sunday evening

Q.—Never mind what we are getting down to, just answer the question. What did you do after you left the office? A.—Now you are getting down to my telling you about Mr. McIntyre. after you left the office that Sunday evening? A.—I went home.

Q.—Did you meet anybody? A.—How did you mean? At my home?

Q.—I asked you, did you meet anybody? A.—Yes, I did.

Q.—Where? A.—At home.

Q.—Where is your home? A.—You mean what part of Vancouver?

Q.—Yes. A.—On Twenty-Fourth Avenue.

Q.—On Twenty-Fourth Avenue, Vancouver. Who did you meet at your home? A.—Mr. Howatson.

Q.—Anybody else? A.—Yes.

Q.—Well, who? A.—A member of the House.

Q.—What member of the House? A.—Mr. Hanes.

Q.—Mr. Hanes. Now, how did they happen to be at your house? A.—Well, Mr. Howatson came up to see me that night.

Q.—About what? A.—Of his volition. He is a friend of mine and he came to see me; that is all.

Q.—Well, how did Mr. Hanes happen to be at your house that night? A.—Well, Mr. Howatson after talking to me phoned to Mr. Hanes to come across.

Q.—And where was Mr. Hanes? A.—In his own home.

Q.—Where was that? A.—North Vancouver.

Q.—Then you got Mr. Hanes over from North Vancouver; was that it? A.—Well, Mr. Howatson, as I said, phoned to him.

Q.—And Mr. Hanes came over to your place? A.—Yes.

Q.—And what took place? A.—I told Mr. Hanes that I had been down to the office, and that Mr. McIntyre had phoned over to Mr. Callaghan on Saturday night, and he told Mr. Callaghan that Mr. Oliver would be here on Monday.

Q.—Well, why did you tell him that? A.—Because I did not want to be mixed up in this thing at all. I thought—I don't know whether I was right or not, but I thought Mr. McIntyre did not do right by phoning to Mr. Callaghan.

Q.—I see. A.—And I did not want to be mixed up in the thing at all, so I thought I was doing the right thing.

Q.—Well, how did you come to be mixed up in that? A.—Well, I was down in the office on Sunday.

Q.—And that was the reason you told Mr. Hanes? A.—Yes.

Q.—Had you ever had any communication with Mr. Hanes before this? A.—No.

Q.—Mr. Howatson, I say, came to the phone? A.—Yes.

Q.—And Mr. Hanes came over; then what took place? A.—Just as I told you—I told Mr. Hanes that I had been down to the office, and Mr. McIntyre had phoned over to Mr. Callaghan on Saturday night.

Q.—Yes, putting him in possession of the information that Mr. Oliver was coming over? A.—Yes.

Q.—Now, how did you happen to meet Mr. Hanes? A.—Never met Mr. Hanes before in my life.

Q.—Well, how did you happen to send for Mr. Hanes? A.—Well, just as I said, Howatson phoned to him.

Q.—It was Mr. Howatson that did it?

The Secretary: That is the gentleman who phoned Mr. Hanes.

Mr. Maclean: Mr. Howatson. That is, Mr. Howatson had been in Mr. Callaghan's office only shortly before that Sunday night, hadn't he? A.—Quite a while before then.

Q.—When was Mr. Howatson dismissed? A.—About December 8th, from the 4th to the 8th of the month; I am not sure.

Q.—And what did he have to do with the matter then? A.—Well, you had better ask him that.

Q.—However, between the two of you you got Mr. Hanes over? A.—No; I said Mr. Howatson phoned.

Q.—He got Mr. Hanes over, and then you told your story to Mr. Hanes? A.—We discussed the P.G.E.R. in general, and that came up.

Q.—Discussed it in general? A.—Yes.

Q.—Now, why did you go and discuss your employer's business with an outsider—two outsiders? A.—Because, as I told you before, I considered Mr. McIntyre at that time had not done right by phoning to Mr. Callaghan.

Q.—That is the reason, is it? A.—And I wanted to be very sure that I did not have anything to do with the thing, and therefore I thought I had done quite right.

Q.—To tell Mr. Hanes? A.—To tell Mr. Hanes.

Q.—Yes; now, just tell me what you told him—Mr. Hanes? A.—I told Mr. Hanes that Mr. Callaghan told me that Mr. McIntyre had phoned him on Saturday night saying that Mr. Oliver would be over; Mr. McIntyre and Mr. Oliver would be over on Monday.

Q.—Is that all? A.—And about the stuff at the office—

Q.—And you told him, I suppose, that Mr. Callaghan knew all about this? A.—I don't remember just telling him that.

Q.—And you gave him to understand that Mr. Callaghan was participating in a fraud? A.—I don't know that I discussed it that way.

Q.—Well, something along that line? A.—No; I do not know that I discussed it along that line at all; I would not say anything along that line at all.

Q.—Well, put it in your own words. A.—I don't know what you mean.

Q.—Just go over what you told to Mr. Hanes? A.—Well, I then said this, of course—you must understand Mr. Howatson will know more about this business than I do.

Q.—Well, tell me what you said to Mr. Hanes. A.—I don't know whether I said anything outside that Mr. Callaghan had phoned me to come down to the office to look at this stuff.

Q.—And he didn't tell you what the stuff was? A.—He didn't tell me the nature of it.

Q.—Or the effect of it? A.—Well, as I said there, Mr. Howatson will explain that.

Q.—Did he do it there (phone) in your presence? A.—No, he didn't.

Q.—What makes you suppose that he did it before, if he didn't do it in your presence? A.—Mr. Hanes knew about it; I suppose he had been told before about it.

Q.—Well, I suppose, after you had all that discussion of these matters—office matters—with outsiders, you would not be surprised when you found out that your services would not be required in that office? A.—Oh, well—

Q.—What— A.—I certainly was; I didn't see what reason there was.

Q.—Now, you would naturally expect to know; you have sworn here that you didn't know why your services were dispensed with? A.—Well, Mr. Callaghan didn't tell me why my services were dispensed with.

Q.—Is that the way you put it? A.—That is the way I put it.

Q.—And you think I have it down wrong: "Reason, none." Well, then, you did know; you have no difficulty in imagining why your services were dispensed with if the office staff were discussing office matters with outsiders? A.—There may have been other matters that I didn't know.

Q.—Well, you were discharged? A.—Yes.

Q.—When were you discharged? A.—22nd February.

The Secretary: What year?

Mr. Maclean: 1917; and now you have a suit on for wages against the Company? A.—Yes.

Q.—Well, you would not try to get any money, though, by threatening to make disclosures, would you? A.—No.

Q.—I suppose—

Mr. Taylor: What are you suggesting that he did, Mr. Maclean?

Mr. Maclean: If one man says to the other, says to another man, unless—unless I am paid a certain sum of money, I will make some disclosures that will disgrace you before the public? A.—You are referring to my letter to Mr. Tate?

Q.—Would you say anything like that? A.—Oh, I don't know what you mean.

Q.—Would you say anything like that? A.—No, I did not mean it that way; it might be twisted around that way.

Q.—That it might be twisted around? A.—It might be twisted around that way to other people.

Q.—Did you put it in such a way that it could be easily twisted around to mean that unless Mr. Callaghan or the Company paid you the money that you demanded, that you would make certain disclosures which would be very unpleasant for them? A.—No, I didn't.

Q.—You didn't do anything of that kind? No; it was not intended in that way.

Q.—Never mind what your intention was; did you make any such statement as those, that unless you were paid \$250 and some odd dollars for sundries, or something of that sort, there would be some very unpleasant disclosures in the Court? A.—It was not intended that way at all.

Q.—Never mind whether you intended it that way or not; is that what you did? A.—Might have been something like that; I don't remember the exact words.

Q.—And what was the object of putting it in that way? A.—Well, I told you; I think Mr. Tate didn't know how things were running in the chief engineer's office, and I thought it was perfectly right to let Mr. Tate know, to give him fair play—

Mr. Pooley: This was after you were discharged, and not before? A.—After I was discharged.

Q.—And you did not take the trouble to tell Mr. Tate before you were discharged? A.—Howatson had told him three months before that.

Q.—And you sent the information direct to Mr. Tate.

The Secretary: You must realize, Mr. Pooley, that this gentleman is a citizen of British Columbia, and that he has a certain consideration for the welfare of the Province.

Mr. Pooley: I quite realized all that.

Mr. Hanes: I think, Mr. Chairman, that this man got fired because he was honest enough to tell what he knew about; he knew certain things that were wrong; that is the whole base of the matter; and he was the first one of one or two men who was man enough to tell what they knew about how affairs were going, and how public money was being used.

Mr. Pooley: And then he writes this letter.

The Chairman: Better go on with the witness.

Mr. Maclean: Is that the letter that you wrote to Mr. Tate? A.—Yes. (Document produced.)

Q.—I put this letter in, of the 3rd of March, 1917. This is your signature, Mr. Anderson? A.—Yes.

Q.—D'Arcy Tate, Vice-President, P.G.E.R. (I have a copy of the letter). "I desire to submit to you for your consideration the state of affairs created by your Mr. Callaghan, and rela-

tive thereto to ask you for fair treatment and justice. During the month of February, on various occasions, Mr. Callaghan in the course of conversation with me tried to ascertain the attitude I would be likely to take in the event of an investigation being held by the Government. From these conversations he evidently satisfied himself that I intended to give whatever knowledge I had truthfully, irrespective of how it might affect the engineering department or the contractors. Following this, on February 22nd, Mr. Callaghan summarily dismissed me, refusing an explanation or a testimonial, and tendering me his personal cheque for \$125 and \$4.50 cash, salary and expenses for February. This I refused, and submitted my bill as follows: February salary, \$125; in lieu of notice, \$125; February expenses, \$4.50; total, \$254.50. This Mr. Callaghan declined to consider, and therefore I placed the matter in the hands of a solicitor.

"Apart from my legal rights, it has been pointed out to Mr. Callaghan the consideration due me after four years' service, especially so in regards to the last six months, which I have spent in the Vancouver office at a lesser salary than I received on the field as resident engineer. I chose to take up duties in the office last July on representations being made to me by Mr. Callaghan, the special inducements then offered being the permanency of the position and the prospects of advancement. Mr. Callaghan, however, has ignored all overtures, and I have concluded he takes this attitude having in mind that he has nothing personally to lose, hence my appeal to you as a higher officer of the Company.

"Before letting the matter go any further I wish you to consider these two points: First, the justice of my claim; and, secondly, the publicity in the open Courts of Mr. Callaghan's ill-advised conversations referred to in the beginning of this letter, which would follow in the natural course of events.

"I may mention that Mr. Callaghan has, for unstated reasons, asked me to-day to return my pass on the line for 1917, but on advice I am retaining same until my claim has been settled.

"I shall be obliged if you will favour me with an early reply, but at the same time I wish it to be clearly understood that I shall spare no effort to have a settlement on the lines as stated above.—Yours truly, (Signed) W. D. ANDERSON."

Mr. Maclean: Well, notwithstanding then—

Mr. Taylor: What Exhibit is that, please?

Mr. Maclean: — the information as to publicity in the open Courts that would follow if those moneys were not paid, the money was not paid to you? A.—No.

Q.—And they were prepared to face your threat of publicity? A.—Yes.

Mr. Taylor: What Exhibit is that?

(Exhibit 147.)

The Chairman: Do you suggest, Mr. Maclean, that the letter is a blackmailing letter?

Mr. Taylor: Mr. Maclean, do you suggest that is a blackmailing letter there?

Mr. Maclean: There it is; you can make anything you like out of it. It may mean anything; it states a threat that unless money is paid which he is pressing them to pay, in his own words, "there will be publicity in the open Courts of Mr. Callaghan's ill-advised conversations referred to in the beginning of this letter." That is what is going to follow.

Witness: These conversations; do you want the conversations referred to in that letter?

Mr. Taylor: No; that is all right. Have you finished, Mr. Maclean?

Mr. Maclean: Nothing more.

The Chairman: I suggest you finish with him this time, Mr. Taylor.

Mr. Taylor: Probably you had better, before anything else, refer to the bridges. Have you anything else to say about the bridges; do you have anything further to say, or hear anything further about the bridges, generally, whether it was admitted those bridges were wrongly paid for? A.—When Mr. Oliver was in he spoke to him about it; do you want Mr. Oliver's exact conversation?

Q.—On the bridges, yes. A.—As near as I can remember, Mr. Oliver asked Mr. Callaghan what reason he had for paying this, in view of the specification, Exhibit 74, the clause in Exhibit 74; Mr. Callaghan simply said it had been paid. Mr. Oliver said: "Well, I suppose, then, I can draw my own conclusions." Mr. Callaghan didn't answer; that is all there was to that.

Q.—All right. We will pass to another matter. As to the inspection, you say you were fifteen or eighteen months out on the road; was there any Government inspection that you ever

found or observed? A.—From the beginning of June, 1913, to about August, 1915, I was continuously on the grading operations; all that time I didn't see a Government engineer actually on the work.

Q.—Did you see a Government engineer on any place round about? A.—I saw Mr. Gamble once, passing through on the Cariboo Road; he rode in a car.

Q.—What kind of a car? A.—On the Pacific Great Eastern automobile.

Q.—A motor-car? A.—Yes.

Q.—And the Cariboo Road, upon which Mr. Gamble travelled in an automobile, would be how close to the right-of-way? A.—At this particular point, where I saw him, it would be on the level crossing, on the last level.

Q.—As a rule, how close is it to the right-of-way? A.—Oh, it varies quite a bit; except at the crossings, it is quite a bit; I think by the time you get to 83-Mile Creek it must be nine miles away from the road.

Q.—Well, the distance between Clinton and 83-Mile Creek is twenty-seven miles, isn't it? A.—About thirty-three miles.

Q.—Thirty-three? A.—Or thirty-seven; I don't know.

Q.—And there the right-of-way is nine miles away? A.—Yes.

Q.—Between Clinton and 83-Mile, could you see the right-of-way at all from the automobile road? A.—Yes.

Q.—How close is it at the place where you can see it? A.—I think you can cross it three times, if I remember right, on level crossings.

Q.—And that is the only Government inspection which you saw during the time you were there? A.—Yes.

Q.—If you can call that an inspection. Another feature—had you anything to do with the ties? A.—No.

Q.—Do you know to what extent, if at all, culls were used? A.—Only what I have heard from the engineers on the line talking about it.

Q.—Better not go into that; that is hearsay, you see. A.—Yes.

Q.—It is not from your own knowledge or observation? A.—No.

Q.—I want you to speak about rock cuts and classifications, with regard to your experience in that matter, fully. A.—On this line?

Q.—Yes. A.—Under what specification?

Q.—The classification of rock, rock in rock cuts. A.—Of course, that would be solid rock, no classification.

Q.—Well, did you have any instructions with regard to rock in rock cuts, or hard-pan, as to how you were to classify it? A.—On Residency 31, which is at 100-Mile House, as I said, I didn't classify it rock; but the classification there was from 10 to 15 per cent. hard-pan in rock cuts, to help the sub-contractors.

Mr. Pooley: And the stationmen? A.—The stationmen were helped out more than the sub-contractor, but that was about 25 per cent. solid rock.

Q.—Where it was hard-pan, it was classified 25 per cent. solid rock to help out the stationmen? A.—I am not saying that there was not a few rocks that might be called solid rock.

Q.—Rock that would measure over 8 cubic yards? A.—Yes; there was one place, that would be 100 miles out of Clinton.

Mr. Hanes: You spoke of 10 per cent. rock; would that show right through to the Government? A.—Yes.

Mr. Taylor: How do you know that? A.—Well, I seen it in the estimates.

Q.—Have you checked that up in the estimates that went to the Government? A.—Yes.

Q.—You say that 25 per cent. which was shown there were classified as solid rock when it was hard-pan? A.—Yes.

Q.—And therefore the men would receive payment at \$1.45 instead of 50 cents? A.—May have been a small quantity of loose rock in there, of course.

Q.—\$1.45 instead of 50 cents.

The Chairman: Did you say that 25 per cent. of it went through as far as Welch was concerned? A.—No; there was not 25 per cent. all round there.

The Secretary: You can check that up. A.—Yes.

Mr. Pooley: On that point, are you in a position to state as to whether that was really a proper charge or not? A.—How do you mean—not according to the specifications, of course.

Q.—Whether there was really that amount, did you look into it? A.—No; I am not saying but there was some ballasting, and so forth, that was properly allowed as rock.

Q.—Would it amount to 10 per cent.? A.—In isolated cases; but not 10 per cent. by any means generally.

Q.—What percentage would you say? A.—I do not think you can put it on a percentage basis—say, 10 to 15 per cent.; you could not measure the length every few yards.

Q.—And the rock then was classified as clay? A.—Hard-pan.

Q.—You know that of your own knowledge? A.—Yes, by observation.

Mr. Maclean: Was there any mention during that conversation with Mr. Oliver about that timber having to be paid for in merchantable lengths? A.—Yes, I think so.

Q.—What was said about that, and who said it? A.—Well, I have already given you that, haven't I? That is what we were talking about—

Q.—Well, give it to me again. A.— a short while ago. Well, I said that Mr. Oliver asked Mr. Callaghan his reason for paying this.

Q.—Yes? A.—And then Mr. Callaghan said it was simply paid; Mr. Oliver said: "I suppose"—as near as I can remember the words—"I suppose I can draw my own conclusions." Mr. Callaghan said nothing.

Q.—That is the whole talk now, just about that? A.—That is all; I may have gone out for a few minutes after that, and didn't hear any more.

Q.—Tell me if that is all you heard? A.—That is all I heard.

Q.—That is the whole talk about that timber matter? A.—Yes, that I heard.

Q.—Just say it again, so as to be sure that we have got it.

Mr. Taylor: I don't think that is quite fair, now.

Mr. Maclean: Just say it again.

The Chairman: Well, let the witness answer it again, if he wants it; I will allow the question.

Mr. Maclean: Just say again what the conversation was between Mr. Oliver and Mr. Callaghan? A.—These would be—I cannot just remember the exact words, but words to the effect; Mr. Oliver was asking what reason Mr. Callaghan had for paying for these merchantable lengths.

Q.—For paying for merchantable lengths; he asked that—who asked it? A.—Mr. Oliver asked it.

Q.—Is that what he said, what is your reason for paying on merchantable lengths? A.—It might have been commercial lengths.

Q.—What is your reason for merchantable lengths or commercial lengths; is that what he said? A.—That is—I would not swear to the exact words; that is what he meant.

Q.—Mr. Oliver said what is your reason for paying for commercial or merchantable lengths, yes; go on now with the rest of the conversation then. A.—Mr. Callaghan said they were simply paid.

Q.—Mr. Callaghan said they were simply paid; go on. A.—And Mr. Oliver said: "Well, I suppose I draw my own conclusions."

Q.—And that is the whole conversation? A.—And that is the whole conversation.

Mr. Taylor: Have you anything else to say with regard to your instructions as to dealing with hard-pan, loose rock, solid rock, and the like? A.—No, nothing.

Q.—Had you anything to do with piles? A.—No, excepting on the North Shore.

Q.—What had you to do with them there? A.—I was looking after the repairs to the Chesterfield—repairs to the North Vancouver City Wharf.

Q.—Have you figured out the cost of piles to the Company throughout their line? A.—Not throughout the line, no.

Q.—Over what areas have you figured it out? A.—Just on that particular work that I was doing in North Vancouver.

Q.—What did it cost them there? A.—You mean for delivery?

Q.—Yes. A.—I don't know what it cost the Company; but I know what we could get some piles in another place, what we were paying for them.

Q.—Yes, what? A.—The piles, the particular piles we had, we could get them for 40 cents a foot, creosoted piles.

Q.—That is the creosoted. We have not taken that subject up.

Q.—Dealing with the Chesterfield Bridge, what sort of costs were paid there, and what sort of profits were paid there; how was P. Welch paid for the work that was not otherwise specified? A.—Why, there were new prices fixed for those creosoted piles, that were not in the contract, presumably by Mr. Tate and Mr. Welch.

Q.—Yes; we have got that filed already. 65 cents— A.—65 cents.

Q.— per foot? A.—Yes, it was paid on that basis, and the special prices were shown in the special contract.

Q.—At what profit would it figure out; what percentage of profit would that work figure out? A.—Well, from my figuring, and different concerns that I got prices from on the stuff, I made it cost plus 45 per cent.

Q.—And not cost plus 15 per cent., as shown by the contract with P. Welch? A.—No.

Q.—I just referred to that part of the contract. Just after that—prices of items for work not included in the above inventory shall be paid for at prices to be agreed upon between the parties hereto, and, failing agreement, at cost thereof, plus 15 per cent.; was there any agreement as to those prices before the work was done that you knew of? A.—No.

Q.—Did you figure out any other costs of this work, not otherwise specified, at any other place? A.—Not at any other place, no.

Q.—I want you now, if you can—you have heard a great deal of discussion about it—I want you now to speak of the practice, if you know it, that was followed as to classifications and quantities, and that sort of thing, where the stationmen, sub-contractors, and main contractor were following it, and instructions, if any, given to the engineers in those respects. Now, discuss that subject fully as far as you know it. A.—Well, as far as I know, the material was classified so that each sub-contractor would get a certain sum fixed by P. Welch, I suppose, that is not in this evidence up to now.

Q.—Did you have any idea as to who fixed the classification? A.—Well, Mr. Crysdale once told me that there was a special contractor.

Mr. Pooley: That is only hearsay.

Mr. Taylor: Which contractor was that? A.—Mr. Crysdale told me that this special contractor was making \$14,000, and he told me to cut off \$9,000.

Mr. Taylor: Mr. Crysdale was your superior officer? A.—Yes.

Q.—Which contractor was it that was making \$14,000, and you were instructed to cut off \$9,000 of classification, so that he would only get something like \$5,000? A.—T. E. Cronin.

Q.—What area of the line was that in? A.—Length of line?

Q.—What section or division? A.—Section 4.

Q.—Division 4 or section 4? A.—Section 4.

Q.—Whereabouts would that be? A.—That is around 100-Mile House, Horse Lake Summit Mountain.

The Secretary: Did Mr. Crysdale say anything as to where he got his instructions? A.—No, he didn't tell me anything about that.

Mr. Taylor: When was that, that you told them—month and year? A.—It was in 1915, I should think—about June or July.

Q.—And what do you say about it that he did to effect that result? A.—Took a proportionate amount of solid rock.

Q.—Off? A.—Off the different cuts.

Q.—Yes; irrespective of your cross-section surveys? A.—That didn't affect the cross-sections, just the classification; the quantities were left.

Q.—You cut the solid rock quantity down, and put what in its place? A.—Loose earth and hard-pan.

Q.—Did Mr. Cronin, or whatever his name is—did he speak about it to you? A.—Well, I met him in Vancouver once, and we talked about this settlement; he didn't mention any sum, but he told me he had accepted his settlement; it was settled; that was about all, I think.

The Secretary: He had accepted the settlement with P. Welch? A.—With P. Welch.

Mr. Taylor: His settlement.

The Chairman: Did that go right through, that classification, do you know; or was it changed again? A.—I understand it went right through; it can be easily verified.

Mr. Taylor: Did you check it up to see whether it went right through as a payment made by the Government? A.—I didn't check it up in the head office; but I had no reason to believe that it did not go through.

Q.—You could check it up from the files here? A.—Yes, I could, in a few minutes.

Q.—(I wish you would make a memo. of that, and check it up.) You have some knowledge, have you, as to the chief engineer's system for passing extra work bills? A.—Yes.

Mr. Maclean: For what?

Mr. Taylor: Passing extra work bills of P. Welch's; what was his system as far as you observed it? A.—Well, he would not allow very much checking on him; that was one part of his system.

Q.—Just explain what you mean by that. A.—Well, these bills coming up from Welch for material, and so forth, they should certainly be all checked over as to quantities and prices of material.

Q.—Yes? A.—But Mr. Callaghan didn't encourage this. I can specify one particular case, if you like.

Q.—That would be the better way. A.—There was a bill—I recall it—the Carleton bill. It was for work done on the north end, pile-driving and clearing.

Mr. Pooley: North end where? A.—South Fort George; this bill was for approximately \$16,000, between \$15,000 and \$16,000; it was made up in a summary form, one for each month, and opposite the month the total pay-roll.

Mr. Taylor: Were there any details of the men in the account? A.—There were copies of the pay-roll attached.

Q.—Yes? A.—And I suggested to Mr. Callaghan when I got this bill—I suggested that I go to P. Welch's office and see the original pay-roll, and check this with copies he had got, and certify it as correct. Mr. Callaghan said it was not necessary; he was satisfied it was all right; but before this, the reason that I wanted to check this piling, Mr. Stoner, the divisional engineer, had told me that the pile-driving that was charged in this bill had cost \$2.50 to drive, and the price allowed in the contract was 35 cents; and also there were no notes in the office then showing the yardage that this bill was supposed to cover, only a piece of cross-section paper with 3,000 yards on it. I worked out the yardage, and the price against this yardage, and I found it was costing \$3 a yard. Mr. Stoner told me in the office of the carelessness on this work, and, in fact, he told me he had been up there, and the men were intoxicated—the workmen. Also they didn't get out in the morning, and so forth. That is why I took up this pile subject with Mr. Callaghan. As a matter of fact, the bill was turned down here when it got over to this side, and sent back.

Q.—From the head office? A.—It went to Mr. Oliver, and Mr. Oliver turned it down. Mr. Oliver took it up with Mr. Callaghan at that interview.

Q.—Oh, then, you had better just keep right on. Mr. Oliver then turned the bill down as Minister of Railways, at least, his Department did; and he personally took it up with Mr. Callaghan; what did Mr. Callaghan say, or what did Mr. Oliver say? A.—He asked why Mr. Callaghan had paid this bill—driving—in force account instead of through the estimate. Mr. Callaghan stated that he had his instructions from the president to pay work of this kind in that way. And there was an item—I just forget the amount, but I think it was \$1,000 for inspection or supervision by this Carleton. Mr. Oliver objected to that, saying that the 15 per cent. ought to cover supervision; that was all.

Q.—That was what took place at that interview? A.—Yes.

Q.—Can you give any other illustration as to the system of work in the office in dealing with extra work, bills, and the like, presented by P. Welch? A.—Well, among the specifications—it is hard to get the number at times—there was one system that, according to the contract, I think, the total work, including material, 15 per cent. should be charged on it; the system that seemed to be carried on with P. Welch Bros. was 15 per cent. on the labour, but the materials put in according to the prices that Mr. Welch chose to put in. There was no check on those prices.

Q.—By the way, have you got any of those; can you turn up to any of those bills now? A.—I don't think so.

Q.—Was 15 per cent. charged only on the labour? A.—Yes.

Q.—And P. Welch's own price on material. Can you just find one of those bills? A.—Here is one.

Q.—Now, that is attached to what exhibit? A.—That is attached to—I don't know the number of the exhibit.

The Chairman: What is the number of the estimate? A.—No. 72.

Mr. Taylor: No. 72? A.—November, No. 44.

Q.—No. 44 estimate, Exhibit 72? A.—1916. This shows the extra work in connection with pile-driving, blasting, and excavating. Cost, foreman, giving so many hours, \$5 a day; bridge-men, so many hours, different prices; and on that, plus 15 per cent. labour.

Q.—Is there material also in that bill? A.—Yes, down below the explosives. Half a case of $\frac{7}{8}$ dynamite, \$6.50; 100 feet fuse, 65 cents; one box of caps, \$1.70; total for bridge No. 29, \$95.73. In that one bill the material has no 15 per cent. on it.

Q.—Do you know how those prices compare with ordinary prices for those materials, whether it is 10, 5, 15, or 20, or what per cent. is added to the price of the material? A.—I don't know. I am sure; I don't know the quotations.

Q.—To what extent did those bills come in? A.—Well, quite frequently.

Q.—Have you the bills there with the quantities of timber and lumber and that sort of thing in? A.—Yes.

Q.—Showing the same thing? A.—Yes.

Q.—Better turn up one of those, if you will. Will you just turn up a bill with lumber in it, and that sort of thing? A.—Here is one.

Q.—Estimate No. what? A.—Estimate No. 45, extension to flume, Station 222 x 76, December, 1916; 17-Mile House, Mile 11.7. Material: 10 2 x 12—12, 240 feet; 15 2 x 12—16, 480 feet; 1 2 x 12—4, 8 feet; 1 2 x 4—18, 12 feet; 740 feet at \$14=\$10.36; freight, \$8.49.

Q.—How much? A.—\$8.49.

Q.—How many feet of lumber? A.—740 feet.

Q.—740 feet of lumber, \$8.49 for freight—not losing much on freight. What about the labour; is the labour in that bill? A.—Yes, the labour is here.

Q.—To which 15 per cent. is added? A.—Yes. The labour: Foreman, 10 hours at 45 cents, \$4.50; carpenter, 120 hours at 35 cents, \$42; 15 per cent. of \$46.50=\$6.97.

Mr. Maclean: What is a force account; what do you mean by a force account? A.—Well, it is supposed to be with the contractor and the Company to agree on the prices on a certain piece of work.

Q.—Well, how is it computed? A.—Well, it is supposed to be according to the contract; as arranged, it is supposed to be paid at cost plus 12 to 15 per cent.

Q.—15 per cent. of what? A.—On the whole cost.

Q.—On the whole thing? A.—Yes.

Q.—On the labour and the material both? A.—So I understand.

Q.—That is, you put down in the bill what it is costing you for labour and for material? A.—Yes.

Q.—And to that you add 15 per cent. Take that last bill; has anything more than that been done? A.—I am not saying anything about that.

Q.—I want to get just what it was. A.—Well, I don't know what P. Welch paid for his lumber, for instance.

Q.—Well, assume now that you have got the price of the lumber. A.—\$14; I have no check on his freight.

Q.—But the 15 per cent. is properly computed on what is supposed to be the cost.

Mr. Taylor: On the cost of labour only.

Mr. Maclean: On the cost only; it is not computed on the material? A.—No.

Q.—That is, he is not charging 15 per cent. on the cost price of the material? A.—No. He is entitled to it in a force account. He would be entitled to 15 per cent. on the cost of his material.

Q.—But he would not be entitled to it on a force account? A.—Well, I think the more satisfactory way of doing it—

Q.—Now, if you will answer that question, please? A.—He would be entitled to 15 per cent. on the cost of his material, actual cost.

Q.—On the cost price of the material? A.—That may not be the actual cost.

Q.—And it may be the price; now let me come back to it again. The effect of that bridge matter; you say that Mr. Oliver looked into it; Mr. Oliver looked into that bill? A.—He did.

Q.—He did; do you know that he afterwards paid it? A.—I don't think he did; I would not be sure; I am not a member of the Government in any official position.

Q.—Have you any reason to think that he didn't pay it?

The Secretary: How would this man know about it?

Mr. Maclean: Well, he has been giving all sorts of hearsay evidence.

The Secretary: He would not know; he was only a resident engineer. You are asking him points that you should ask the chief engineer.

Mr. Maclean: He is not in the box now, as far as that goes; he says he does not know if the bill is paid, as I understand it. I am dealing with only one witness at a time.

The Secretary: Don't ask the witness questions that you should ask of the chief engineer of the road, or of the Government.

Mr. Pooley: If he does not know, he can say that he does not.

Mr. Maclean: Do you know whether or not that bill as inspected by Mr. Oliver was paid? A.—No, I don't know.

Q.—You don't know anything about it.

Mr. Taylor: What do you say about prices being fixed by P. Welch, as to the way it was done? What was done, if anything, to check those prices up or to have them fixed at different figures, what was the rule? A.—Which prices do you mean?

Q.—In the prices not provided for in the contract? A.—Well, the only thing that I saw was when they came to me in letter form from Mr. Tate, saying that these prices had been agreed upon by P. Welch and the Company, and they were to be part of the contract then.

Q.—Did your engineers in the office, as far as you could see, do anything towards fixing or varying the prices that came in that way to your office? A.—Not so far as I know.

Mr. Pooley: You were acting as a resident engineer, and not as a clerk in the head office? A.—Me, do you mean?

Q.—Yes; that is, as to the changing and varying of prices, I take it your answer was given as a resident engineer, and not as a clerk in the head office? A.—Well, I was a resident engineer, but not attached to the office.

Q.—And you knew nothing about the changing of prices in the office? A.—No, I do not, sir.

Mr. Maclean: After Mr. Callaghan had ascertained what the trouble was about those bridge foundations, and you said that you knew about it, he said to you, "Why didn't you tell me about that"; and what did you say? A.—That was referring to section 2?

Q.—You said that you knew about it, and when you said that, he asked you why you didn't tell him. Whether it was section 2, or section 3, or 10? A.—I don't know what you mean; what did I say?

Q.—There was some talk on that point, was there? He asked you about some of these things at all events, and said why didn't you tell him about it; what did you say? A.—On section 2?

Q.—I don't care whether it is section 2 or 5, or 50; when he said, "Why didn't you tell me about that," what did you say? A.—I didn't say anything.

Q.—Oh, yes, you did now, you did now. A.—What did I say?

Q.—I know what you said—just go on and tell me what you said. A.—You don't know what I said.

Q.—Oh, yes, I do. He asked you, "Why didn't you tell me," and you didn't say a word? A.—I don't remember, Mr. Maclean.

Q.—Do you remember his asking you, "Why didn't you tell me about that"? A.—Some time after, he asked me if there was anything on section 2, and I looked it up, and showed him on section 2; that is all. I don't remember any conversation.

Q.—Did he ask you why you didn't tell him about that? A.—Not that I remember.

Q.—Are you sure that he didn't ask you? A.—I said that I don't remember.

Q.—Well, I say, are you prepared to swear that he didn't ask you on the whole thing, "Why didn't you tell me about this if you knew there was a mistake here"? A.—I could not say that it was that way; I cannot just remember how it was; there were many things that were said.

Q.—Will you swear that he didn't ask you, after investigating the whole matter, "Why didn't you tell me about this matter"? A.—I could not really answer that, Mr. Maclean.

Q.—You cannot? A.—No, I cannot.

Q.—Then he may have asked you, "Why didn't you tell me if you knew of this error"? A.—He may, and he may not.

Mr. Pooley: If he said that he asked you why you did not tell him, would you contradict it?

The Secretary: Well, he says that he does not remember it.

Mr. Pooley: Mr. Maclean says that you were asked why you did not tell him about it, if he said that he did; will you contradict him? A.—Well, I would say to him just the same as I do now.

Mr. Hanes: Can you find the Capilano extra work bill in those estimates? A.—No; it was not put in the form of an extra in the bill.

Mr. Taylor: How many items were put in for the Capilano Bridge—I mean, for the different renewals? A.—It was, I think, about fifteen; it was bulked into one estimate.

Q.—Which estimate was that? A.—I think, September, 1916.

Q.—That is the estimate that Mr. Tate wrote about on October 2nd. That is the September estimate, the estimate for last month; that is September, 1916. I would like to get that estimate, and take it up with you to-morrow morning. There were fifteen renewals, which were put into one estimate.

Adjourned at 10 p.m. to 10 a.m. to-morrow, Thursday, March 29th, 1917.

SIXTEENTH SESSION.

THURSDAY, March 29th, 1917.

Meeting called to order at 10.10 a.m.

Mr. Taylor: Mr. Anderson, we were about to speak last night of the Capilano Bridge, and about the payment for that bridge; have you got the September estimate before you? A.—No. It is in the box; September, 1916.

Mr. Davis: Would there be any objection, Mr. Chairman, to my calling Mr. P. Welch to-morrow morning? It is quite possible that I will be unable to come back on Monday, and I would like to examine him to-morrow.

Mr. Taylor: I have no objection at all so far as I am concerned, except that I think it is fairer to Mr. Welch—although that is a matter for his counsel to decide—to call him as the last witness, after all the other witnesses have given their evidence. I do not wish to have anything said behind my friend's back, when he is not here, and under that disadvantage.

Mr. Davis: He will be here (Mr. Welch), and Mr. Ellis will be here; and if it is necessary to recall Mr. Welch, why, you can recall him, whether I am here or not.

Mr. Taylor: Well, that is all right as far as I am concerned.

Mr. Hanes: Mr. Chairman, do you know whether Mr. Welch has sent over his books of account and the other papers which were asked for on the first day's sitting?

Mr. Davis: I think so. Any that you have asked for, you can have them; if we have not them here, we will bring them.

Mr. Hanes: For instance, I would like to state that we were referring yesterday to the statement of the cost of this work, from one end of the line to the other, as it was done by the stationmen. Now, the papers filed so far are only for clearing of certain portions, which is a small part of the work.

Mr. Davis: I think that the stationmen's statements are here this morning.

Mr. Taylor: Do you want to file it now? I understand it has to be looked after, and kept in a separate place from the other material.

The Chairman: They want it kept in a separate place, so that there will be no chance of mixing it up.

Mr. Taylor: And we want Messrs. Anderson and Howatson to assist the auditors in compiling the material.

Mr. Hanes: The reason I bring this up is that we would be unable to proceed to make this detailed statement of cost, as between the stationmen and the contractor, until all the books are here.

The Chairman: That is quite right; but there is considerable of it already; there are five lots of it here this morning, and more coming to-night.

Mr. Hanes: What I have in mind at present is the important books, and I am referring to them. From the books Mr. Welch will show, or should show, how much was paid from one end of the line to the other—clearing, track-laying and so on; they should show the different items paid for stationmen, clearing costs, and other items; and if those books are here, we can refer to the ledger accounts showing the total amount of the cost to the contractor for clearing, rock-work, and so on.

The Chairman: You want to have the settlements?

Mr. Davis: The settlements will show all that. The originals from which the books are written up are here, and the auditors will require them.

Mr. Hanes: I am explaining to the Committee, anyway, that we want everything which will give us the detailed information.

Mr. Taylor: Mr. Hanes suggested to me last night that the books of the Equipment Company would be wanted.

Mr. Maclean: The books of what?

Mr. Taylor: The books of account.

Mr. Maclean: I don't know if we have them, but we will produce them if you want them.

Mr. Hanes: We have already asked for them to be produced.

Mr. Maclean: I expect they are here, then.

Mr. Taylor: And the Development Company also.

Mr. Maclean: I thought we had already disposed of the matter in this way. If you wished to have an audit, we would be very happy to place them at the disposal of the Committee; and that offer holds.

Mr. Hanes: As far as the books of the Development Company go, I think the Committee want to have those books filed here; they are the books showing receipts and expenditures, containing all the details, and enabling us to make an intelligent report to the House.

The Chairman: The books of the Development Company—I do not see how we can make a report on those books; the auditors will deal with that.

Mr. Hanes: I do not mean that we intend to make a report on the books ourselves; but we want to have the books here to see how the detailed statement is made up, and what moneys were received and expended; that is part of this inquiry.

The Chairman: Are we not having an audit made of that?

Mr. Maclean: There is an auditor at work on them now, and he will lick it into shape. If the books are not here in this building, they are where we can get them inside of fifteen minutes, I understand, at the head office of the Development Company.

Mr. Davis: The Equipment Company books are here; but the others are in use.

Mr. Maclean: Whatever is required, we will obtain and place at the disposal of the Committee, and only too happy to do it.

Mr. Hanes: I will state this once more: With due respect to what Mr. Maclean says, that he will get them here, and place them before the auditor—

Mr. Maclean: Absolutely.

Mr. Hanes: Yes. Now, I state to the members of the Committee, with respect to the Company's books, that I want those books filed here; they should be brought here so that the members of the Committee will have access to them.

Mr. Maclean: We will file them.

Mr. Hanes: Both for the Development Company and the Equipment Company.

Mr. Maclean: We will have them here, if it is desired, Mr. Chairman, and file them, doing anything the Committee wants.

The Chairman: Let me understand what Mr. Hanes requires. There was a statement asked for yesterday morning, and they are going to produce their contracts and their vouchers in respect of it.

Mr. Maclean: Showing the actual settlement, and those are the original documents.

Mr. Taylor: Both as to stationmen and sub-contractors.

The Chairman: From those, the Government auditor, with the assistance of Anderson and Howatson, will work out the statement asked for.

Mr. Taylor: A tabulated statement segregated into the different divisions, and giving particulars of the cost of each kind of work.

The Chairman: Are those documents to be filed as exhibits?

Mr. Taylor: Those documents are now being filed. They have nearly all been filed as exhibits, and the vouchers and other documents which come down will be here as exhibits.

Mr. Hanes: Does it include the production of the ledgers, in order to show the various payments?

The Chairman: The ledger is a record of the original documents; you can have them if you like, but I understand they are producing the vouchers and receipts.

Mr. Hanes: A lot of the work was done by day-labour; and the ledger will show upon what portion of line that work was done, and whether it was done by contract, day-labour, or force account.

The Chairman: All the documents which are necessary to work out the statement will be produced.

Mr. Hall: If that is the case, I think that the Committee would desire to have those ledgers in; it would save reconstructing the accounts.

Mr. Taylor: I understand that if you are going to bring Mr. Welch's books down here, it means practically the removal of the whole office; to my mind the better way of doing it is to have the auditor take the statement off the books, and if necessary we can have them in addition.

Mr. Hall: There is one point; that it is quicker to go over a set of books already prepared than it would be to reconstruct.

Mr. Taylor: They must be exceptionally voluminous, those books.

Mr. Maclean: They are, of course.

Mr. Hanes: As far as I am concerned, I think the Committee should see what ledgers there are; and I will move, as a member of the Committee, that the ledgers of P. Welch be produced here, along with the other documents, so that we can arrive at an understanding of the statement, and so that we can check up the statement, which it is proposed to have made. There cannot be very many ledgers; it would not take many books to cover that work properly.

The Chairman: What steps are the Department taking with reference to the audit?

Mr. Taylor: In which way?

Mr. Hanes: I understand that it is up to the Committee.

The Chairman: At the opening of this inquiry statements were made by different counsel that all these documents would be at the disposal of any auditors whenever the Government wanted them.

Mr. Taylor: That undertaking has not been given yet on behalf of P. Welch.

Mr. Davis: I give it this morning.

Mr. Taylor: Mr. Davis now gives his undertaking. The Government auditor has already audited the P.G.E.R. books; we have the audit filed; that is the audit which is filed. That is as to the P.G.E.R. books. Now they are willing and Mr. P. Welch, through his counsel, is now willing to have the contractors' books, and everything incidental thereto, audited in the same way.

Mr. Maclean: And the Development Company is quite willing to have the same thing, as far as its books are concerned.

Mr. Taylor: You have agreed to do that, on the first day of the inquiry. We have every one now agreeing to an audit, and to the production of everything necessary, and that is how it stands.

Mr. Hanes: Now, Mr. Anderson (referring to Secretary-Anderson), I will move, then, as a member of this Committee, that these documents that are being produced by Mr. Welch to allow the auditor to make a statement of the cost of the road include the ledgers of the business, all his ledgers showing the payments received and other details.

Mr. Hall: I would rather move an amendment, in this way: that our Chairman at once take up with the auditors the question of getting this audit for the Committee at an early date, and require the production of such documents as are necessary when the audit is completed; otherwise you might be having the documents back and forth, here and with the auditors.

The Chairman: You might add to the motion that the matter rests with Mr. Taylor, as counsel for the Department.

Mr. Hall: That is quite satisfactory to me. Then if anything further is required, it is a matter for counsel.

Mr. Hanes: I will ask Mr. Anderson (Secretary) if he will make a note of my request, as Secretary. I request that all the documents to be filed here, in order to enable this Committee to make a detailed statement of the cost of the road, shall include all the ledgers which show the moneys paid out by the contractor, so that we can check up our statement. This has nothing to do with the auditor—as to any inquiry into the books on the part of the Committee—the auditors can work on the ledgers, and it is the work of the auditors to make an audit which is satisfactory; but we as a Committee want to be able to check up the payments and we must have the books.

Mr. Hall: Are we having them necessarily?

Mr. Hanes: We want to make a report of the Committee at as early a date as possible to the Legislature; and I am doing this in order to facilitate the preparation of that report. I should really have done it a week ago, or two weeks ago, but I am doing it now, as I believe it will save time in the future course of the inquiry.

Mr. Hall: Here is one difficulty that I see: If you are going to have ledgers in one place, and other stuff in another, it will be no advantage; I think it would be better to leave it to the auditors to complete their work.

Mr. Hanes: Well, I would like that to go on record, Mr. Secretary, and to stay there. (Referring to motion.)

The Chairman: It seems to me that the Committee had better adopt the policy of having the audit, and then they can take it up later.

Mr. Hanes: If the ledgers are here, the audit can be made, and it should show all the payments and other details, but we want a statement of the moneys paid out on this line, which will be found in those books. I make that motion—I will put it in the form of a motion, or a request; as a member of the Committee, I move, or I would request it if I had the authority to do so, but otherwise I put it in the form of a motion, that we have the books here I have mentioned.

The Secretary: You wish to put it in the form of a motion?

Mr. Hanes: Yes, and to stay on the record.

The Secretary: You move that the ledgers and books of account of P. Welch be produced?

Mr. Hanes: Yes, for an audit; and I will add, before the Committee, produced before the Committee; and that if the Committee see fit, they have the Government audit made of these books; so that the Committee can check up all the information. The Committee can have them audited by the Government auditor if they see fit, if they have not already given instructions that the audit be made. I understand that there have been no instructions given yet, so that this will facilitate the matter.

Mr. Hall: Cannot you have the motion in this way: that the books of account be produced, so that an audit can be made, or that the Committee request an audit to be made by the Government auditor at once?

Mr. Hanes: It is quite agreeable to me. That the books should be produced before the Committee at once. It would facilitate the whole thing, and that is what I am coming at, so that the members of the Committee would know what is going on, because it is up to the members of the Committee to make a report to the Legislature; and they should know what they are reporting upon. I should be pleased to put the motion in that form. (As suggested by Mr. Hall.)

Mr. Davis: I do not suppose that the Committee wish to inconvenience unnecessarily P. Welch & Company, or to do them any injustice in any way. Now, those books are in constant use, and it will be a very great inconvenience indeed if they have to be produced here, and if they were kept here, as they necessarily would be, for some time. In addition to that, in those books there is not only the contract in question, but there are various other contracts, which are, as you know, confidential. Contractors' books show costs, and all that sort of thing, which they do not like to have thrown open to the public, or to any large number of people. Now, he (Mr. P. Welch) has no objection in the world to the books being audited by Government auditor, who is, of course, a confidential man, and who audits them for the purpose of that particular matter; but he does object to producing his books to be gone through in every respect. It seems to me that if the Government auditor goes and makes the audit, that he has done everything that is

of any use to the Committee or that the Committee requires; and if that is done, surely it is enough.

Mr. Hanes: That is just the point, Mr. Chairman; the Committee, as I understand it, or the members of the Committee, will wish to satisfy themselves on the whole situation, what this road cost, and that is a part of our inquiry; it is the very reason that these books should be produced so that we should know just what has been going on.

Mr. Pooley: Is it not the duty of the auditor to do the work; there is no reason why we should have to go into the entries in detail.

Mr. Davis: The auditors will have full access to the books in every respect; there is nothing that it is desired to keep back, and there is nothing to conceal; but you can reasonably understand that these documents which are now being produced are the originals from which the books are made up. As far as these matters are concerned, the books cannot possibly add to the original vouchers, but we agreed in spite of that to produce those books to the Government auditor, so that if there is any question of any sort or description as to there being anything else in those books which the vouchers do not show, he can see it. But we do not think it fair to have those books made more or less semi-public, in addition to the necessarily very great inconvenience which would be caused by their being taken away from the concern indefinitely.

Mr. Hanes: I will ask that my motion stand, anyway.

Mr. Pooley: Personally, I cannot see the particular effect of Mr. Hanes's motion; Mr. Davis's statements cover all the ground as far as I can see. As we have the original vouchers here, what is the good of putting in a copy of them; the books are not the original evidence of the transactions.

Mr. Hanes: I think that the Committee should be able to see them when the time comes for it.

Mr. Pooley: The auditor will do all that work, and save the Committee's time; he can give the proper attention to them, and we have the vouchers, and there does not seem to be the necessity for the books at present.

Mr. Hanes: I can quite understand that they may not want to produce them; I can understand, of course, that there will be a feeling that they do not want to produce them; but as a member of the Committee I feel that they should be produced.

Mr. Pooley: I think that Mr. Hanes will have to show that it is absolutely essential for the books to be produced, if you can get all the information from the vouchers, which are the original records.

Mr. Hall: My purpose in seconding the motion was to get an audit made. It may be that these books could be technically produced before the Committee without having to get them brought down here. If any member of the Committee desires to look at those portions of the books, I don't suppose it makes a particle of difference one way or the other; and I must confess, in seconding the motion, that I had no idea that those books would have to be all brought down here for constant use.

Mr. Hanes: When this inquiry started it was shown that Stewart & Foley were two contractors. Now we find, after several days of cross-examination of Mr. Tate, that he finally came out with the statement that other people were interested, and that involves the question of this inquiry as to who are the contractors, and so on; I still maintain that these books should be produced before the Committee; that is what we are here for.

Mr. Pooley: Cannot you get an auditor to find out the information you want; is he not naturally the proper person to get that information for you from the books?

Mr. Hanes: I notice that this Committee has not been taking auditors' reports so far. And I think the Committee is quite capable of continuing and finishing the inquiry in the way you started; we have had some of the documents produced, and now we want the books.

The Chairman: As I understand the discussion, it simply narrows down to the one question: this Committee are entitled to have the original documents involved in these transactions. The only question now is, will all the books be brought down here first and the audit be made afterwards, or will the audit be made first and the Committee check it afterwards. I understood from Mr. Taylor's opening examination of Mr. Tate that the procedure to be followed was that the companies would submit all their books to the Government auditor here to make a complete audit, and report it to this Committee; and that as a result of that report this Committee would

then demand every book to be submitted that they considered necessary for the purpose, in order to check up or make further inquiry.

Mr. Hanes: We already have a report of the auditors on the P.G.E.R., which has been put before the Government. That report did not disclose anything or show us what we wanted to go into. Mr. Taylor read that report at the beginning of the sitting (Mr. Taylor later referred to this point) of this Committee. Why didn't we take that report? That was only five or six pages, with a mass of figures; but it had no information for this Committee on the subject of the inquiry.

The Chairman: Is that report a full audit of the books of the P.G.E.R.?

Mr. Hanes: According to the auditor, it is.

The Chairman: I have not seen it.

Mr. Hanes: Well, it was filed, I believe. There was no use in our holding this investigation if we were going to take that report.

The Chairman: What does the audit show?

Mr. Hanes: It shows a few figures by way of totals.

The Chairman: Is it an audit of P. Welch's books?

Mr. Hanes: No; it is just a total mass of figures that do not convey anything definitely to the Committee, except in one or two particulars. It does not contain any particular information on the matter that we have been investigating, otherwise there would not have been any need of this Committee sitting here. As I understand the question, the Committee were going into the matter for themselves, and if necessary to check the books and other things.

The Chairman: As far as I know, the Committee has not examined the report.

Mr. Taylor: I think Mr. Hanes is in error about my reading it.

Mr. Hanes: Does the report show that the P.G.E.R. owes the Development Company \$858,000, and have given them a note, and that they are liable to pay 7 per cent. per year interest?

Mr. Taylor: It doesn't show that.

Mr. Hanes: There would be \$50,000 a year interest.

Q. (to Mr. Tate)—Has the Railway Company paid one year's interest on that? A.—Yes.

Q.—To the Development Company? A.—No; we have given them a note for it.

Q.—But has the Railway Company paid one year's interest to the Development Company?

A.—Nothing in cash has been paid at all; not one cent.

Q.—Then the Railway Company owes the Development Company that amount? A.—These notes bear interest at 6 per cent.

Q.—I thought it was 7 per cent.? A.—I think it is 6.

Q.—Then the report does not show that? A.—No.

Mr. Taylor: This is an audit of the financial relations between the Government and the P.G.E.; that is all. (Referring to Exhibit 36.)

Mr. Maclean: The books of the Development Company would show it.

Mr. Taylor: This is simply an audit in relation to the handling of the P.G.E.R. (Exhibit 36 referred to.)

Mr. Hanes: Well, I think, Mr. Chairman, that the ledgers are the principal things to be produced, as they will show what has been paid to the different people on this work, whether it was to the sub-contractors or to the stationmen, or for work done under contract; and these books would assist the Committee in forming an intelligent idea of what has been going on.

Mr. Tate: Here is the logical way of disposing of the matter, if I may speak to the Committee: In the opening day of the inquiry, Mr. Taylor, in his examination of me, asked if we were willing to produce all our books, and he mentioned the books of the Railway Company, of the Development Company, and of the Equipment Company, and of Mr. P. Welch; and on behalf of the companies which were represented I agreed, and Mr. Ellis, who appeared on behalf of P. Welch, agreed that all these books would be open to the inspection of the Committee at the offices of the Company so far as they related to the construction of the railway. Well, now, Mr. Hanes and Mr. Taylor have asked for the original vouchers from the sub-contractors and the stationmen. We have produced the sub-contractors' before, and we are now producing, in addition to those, the original vouchers from sub-contractors and stationmen, and, in fact, all the contracts that we have.

Mr. Hanes: It has been pointed out that these contracts are not contracts at all.

Mr. Tate: Those are the only sub-contracts we have.

Mr. Hanes: So they state on their faces, but the contract is really a fixed sum.

Mr. Davis: We are producing all the settlements of these sub-contractors.

Mr. Tate: We are producing every original voucher we have got, and our books are made up from those original vouchers; the books are really secondary evidence. These original vouchers are the first and original evidence; and we produce all those, and if, after this Committee have examined them, they want the production of the Company's books, those books will be forthcoming.

Mr. Hanes: That is what we are asking for now; we want the ledgers and all other books.

Mr. Tate: Mr. Hanes now is wanting to examine the secondary evidence before he examines the first evidence. The best evidence that he can have are the vouchers, and these are before the Committee.

The Chairman: I understand Mr. Hanes to say that some of this work was done by day-labour?

Mr. Tate: Yes.

The Chairman: Now, will the original vouchers show that?

Mr. Davis: As I understand, it is not day-labour; it is settlement between the stationmen and sub-contractors, practically day-labour, but they have a settlement in writing with each of those men.

The Chairman: Is there any day-labour apart from the stationmen?

Mr. Davis: I understand not.

Mr. Tate: But Mr. Welch's evidence will cover that point.

The Chairman: Will the vouchers show which of this work was day-labour?

Mr. Tate: We will produce all the vouchers covering anything which is shown in the book, and if there is anything in the book which is not shown in the voucher, they will be produced; and all the books will be produced, as required, and subjected to the Government audit, and to the auditors. I thought we had a complete understanding with the counsel for the Government in that respect.

Mr. Hanes: Are you authorized to speak for Mr. Welch in that behalf? Are you acting for Mr. Welch, or as counsel for the P.G.E.R.?

Mr. Tate: I am speaking now with regard to the undertaking that I had with the Committee when I was examined the first day.

Mr. Hanes: I am asking you, if you, as chief counsel of the Railway Company, are also speaking for P. Welch?

Mr. Tate: I am speaking in the name of common sense, trying to save time. I think you are trying to force the thing somewhat, and making it as disagreeable as possible. The Committee have tried not to put any one to inconvenience, and we do not want to have the matter put in such a way that every one is inconvenienced; if you want the books, we will produce our books—

Mr. Hanes: What do you call "our books"?

Mr. Tate: We have tried to be candid, and will produce all our books. I am speaking now of all the three of us; we have tried to aid the Committee, and have produced all our evidence, and all our records, and are not attempting to keep back anything in any way, our object being to save the time and make for the convenience of all parties concerned. If there was any disposition to keep back anything, or conceal anything, I could then understand the attitude of Mr. Hanes; but there is not.

Mr. Hanes: Then there is no necessity for any argument; just produce those ledgers and books.

Mr. Tate: I would be quite willing for counsel for the Government to state now his position, and I think he would say that we are coming through with everything that has been requested from us.

Mr. Hanes: Acting as a member of the Committee, I may say that it is the Committee who should have those books, and I am going to have them produced as a member of the Committee.

Mr. Tate: I think I am in a position to request counsel for the Government to state his position in this matter; I think it is only fair. I would ask him if we are not acting in all respects up to the understanding which we had on the opening day.

Mr. Hanes: The Committee is appointed to make this investigation, and to make an early report, and it cannot do so unless it has the material.

The Chairman: There is no question about the fact that the Committee is entitled to have all vouchers and documents produced; the only question is one of procedure.

Mr. Davis: The question is whether you wish to be unfair to any one, and, as I said before, no contractor wishes to have his books looked through, as other contracts are in them which are necessarily more or less mixed up. Secondly, he does not wish to have his books looked through in regard to his system as to costs and all that kind of thing. In the next place, there are lawsuits going on in connection with which the examination of these books might have something to do. Surely if you get everything that possibly can be had, you do not wish them unnecessarily to harass any one. Now, could anything be fairer than this: We produce all the originals from which these books are made up in the first place. Secondly, we consent freely to any auditor whom this Committee chooses to appoint to go into and inspect those books from end to end, he being instructed that it will be treated as a confidential audit, and that he will deal in his report, of course, with this particular thing that you have under discussion. We are quite content with that, but we do not think it fair that our books should be thrown open to any number of people, whoever they may be, unless it is necessary.

Mr. Hanes: That is what this Committee is appointed for, to inquire into the contractors' books and affairs, and the books should be produced: that is what we are here for.

Mr. Davis: Who is the man that can go through the books expeditiously and understand them? It is certainly the auditor who is there trained for that particular purpose, and surely you have a choice of them. If you don't want one, you can employ two or three; we are quite willing to trust them, but we do not feel that we should be forced to produce our private books for the examination of men who may have hostile interests in connection with other men who are not concerned in the matter.

Mr. Pooley: The auditor can easily find out whether the books and the vouchers correspond and agree; he can find out in very short order; and, if that is so, what is the good of our having the books?

Mr. Hanes: We want to report at the earliest possible moment on the standing of the contractors and the position of affairs, and if these books are produced to us immediately, that includes the ledgers, we can start to prepare this statement, showing the detailed costs of the work; if those books are produced it will assist in getting that statement out at a very early date, and if the books were sent for now it would save time instead of asking for them next week, or instead of having them later on, and that is one object in my asking for them now, in order to facilitate the matter and get it settled at an early date.

The Chairman: I understood from what took place yesterday—in fact, it was suggested at the opening yesterday—that one of the most essential things for this Committee to have was a statement, an itemized statement showing the amounts disbursed by the Railway Company in connection with the construction of this road; and, secondly, all the moneys disbursed—

Mr. Taylor: By P. Welch.

The Chairman: Under the different forms of contract by P. Welch, and then, shortly, all moneys disbursed by the sub-contractors under P. Welch and under the stationmen, so that we would have it at a glance, a knowledge of the full costs of this road in all its ramifications; and I understood that that was being prepared.

Mr. Hanes: Cannot be.

The Chairman: That must be prepared from the original documents, which are, as I understand it, the contracts and the vouchers and receipts which are now being produced. In addition to that, the understanding was that the auditor was to check up all these documents with the books of the Company to ascertain that everything which was involved in the construction of the line had been produced; in addition to that, if any members of this Committee are not satisfied with that, they have the right—in fact, it is their duty to demand that the books should be open to their inspection and to check them up; that is the procedure that has been apparently adopted. And it has now to be considered whether it will be followed or modified in the way that is suggested. It is purely a question of procedure that is involved, and nothing else, whether every document and every book that this Committee desire to see must be produced, so that it may be gone into to the uttermost.

Mr. Hanes: Mr. Chairman, just to explain my reasons. Take any part of this statement here (auditor's report), say some of it is required to be investigated. The Government auditors have no idea what section of the line this is on; it is Station so-and-so, or Residency so-and-so.

Then there are these documents which are filed; they do not show, or may not show, what part of the road it is charged to, and what extra work in the way of piles and materials have been paid for in various ways. The Committee can only arrive at a fair idea of the position of the statement, and as to what section it applies, if these ledgers are produced. If the books are produced the ledgers will show, if they had a system, by which these moneys had been paid out on certain portions of the line. It will save time in itself, and it would be very easy to check it up by means of the ledgers; but I will state for the information of the Committee that this statement that we want cannot be prepared in a reasonable time unless we have the ledgers produced. We have already had produced some of the sub-contractors' contracts.

Mr. Davis: All that there are have been produced.

Mr. Hanes: Yes, they have been produced. Now, I thought I made myself clear enough, but I will repeat it. If we started to make up a statement from these papers we could not do it, because we already have it under oath that these contracts were never used. The arrangements were that each man should make \$5,000 or \$7,000, as the case may be, irrespective of those prices in the contract. It is impossible for us to go ahead on the exhibits that have been filed.

Mr. Davis: The mere production of the books could not have any bearing on the matter, as you have already the original documents.

Mr. Hanes: It would shorten the work of this Committee very considerably if we have those ledgers produced, and the Government auditors can go over them and check them, and prepare the statement along with others; and we will get this thing through at an earlier date.

The Secretary: Would not P. Welch's Company have separate ledgers for this account; he would not be likely to have other contracts in those ledgers; surely it is a loose-leaf system?

Mr. Davis: I am instructed that it is so.

The Secretary: They can take out what we want.

The Chairman: We are not concerned, and do not have any right to go into any account, say, for instance, of tunnelling on the C.P.R.; that has nothing to do with us; but we are concerned and have the fullest right to demand the production of every book, whether it is a book of original entry or an original document, or anything relating to this contract, and every such document or book relating to this contract must be produced to the Committee if it so directs.

Mr. Davis: I suggest that the matter might be left until after the examination of Mr. Welch, if it is gone on with to-morrow, and the Committee would then be in a better position to determine the matter. The audit can be made in the meantime, which is the important thing.

The Secretary: If the ledgers were produced they could be absolutely separate, just the same as these settlements; they would be kept separate in this room over the Library.

Mr. Ross: I would like to have the opinion of the Chairman with regard to it; we appear to be losing time.

The Chairman: My opinion is simply this: that this Committee in its discretion can order it any way they like. They can follow the procedure on which they started out, or if they think it is more important, they can reverse it, and have the documents produced now.

Mr. Hanes: I think, if it is a loose-leaf system, that all these accounts pertaining to the railway could easily be taken out and brought over here; there cannot be very many items.

Mr. Shatford: Supposing the Committee required them, how long would it take to produce these books?

Mr. Tate: It could not be done without virtually moving the whole office down here. The ledgers relate to other business, and they dovetail into each other. There was some reference made to the loose-leaf system; I don't think it is a loose-leaf system up there. I am only speaking from general observation, but the books did not appear to me to be a loose-leaf system when I was in the office of Mr. Welch. The auditor can go in there, and go from one book to the other; in fact, I suggested it myself in the first place; but when it was explained to me how impracticable it was, it was quite apparent to me that they could not do it.

Mr. Hall: I would suggest that we have the auditors who are in the building sent for, and discuss the best method of procedure; we all want to arrive at the same thing.

Mr. Hanes: The auditor can make his audit, but the Committee are making their statement to the Government, and it is up to the Committee to get these ledgers to help prepare the statement, and it will facilitate the matter by getting them, irrespective of what Mr. Tate says, he being a vice-president of the Company, as I understand it, and who is now discussing this

matter for the contractor; and this man whom he mentions, Mr. White, who is handling the books for the contractor, he is also one of the directors of the Railway Company; Mr. Welch's books should come over here, there are not very many ledgers, and it would save time; it is only a matter that will come up again at a little later if not settled now.

Mr. Hall: I suggest we ask the auditor who is in the building now to come in and say what is the best thing to do.

Mr. Maclean: I move an amendment, Mr. Chairman, that we stand by the procedure; that appears to be the most expeditious course.

Mr. Hanes: If this Committee is not going to have these books produced here, as it has been instructed by the House to make the inquiry, I do not see why we should not request the House to give us further instructions.

The Chairman: There is no need to make remarks like that; these books are going to be produced when the Committee wants them; we are not going to discuss that question; it is just a matter of the procedure to be adopted in this Committee. Every book that you want, or anybody else acting on this Committee, so far as I am concerned, is going to be produced.

Mr. Hanes: That is why I am making the motion, to facilitate the work of the Committee so that we can make our report.

The Chairman: The only motion that I am going to put now, because we have discussed it quite fully before the Committee, is Mr. Hanes's motion that the Company be asked to produce, along with the original vouchers, which they are now producing, the ledger books of the Company relating to the subject-matter involved in that statement which is being made up. You have heard the motion; are you ready for the question? The suggestion now is before the audit, they shall all be brought here; that is the only question involved.

(The Chairman then asked for a show of hands.)

Mr. Hall: For myself, I find myself in a difficulty, because I would really like to have my suggestion carried out. (That the auditor be called in for consultation.) It strikes me as a matter of business, that if we had half the books in Vancouver, and half of them down here, an audit could not be made in either case. There is one man that can speak on the question, and we have him here in the building. I suggest that we ask him to attend before this Committee, and then will understand the position; if we require the production of any of the ledgers, we can easily obtain them. But I do not see how you can from the ledgers alone prepare an audit.

Mr. Hanes: Our original motion that we passed the first sitting calls for the production of their books before this Committee.

Mr. Hall: I am not objecting to their being required to produce the books, but we would like to see the audit carried through in the most expeditious way.

The Chairman: The books must be produced; the only question is that of procedure.

Mr. Hanes: We have decided on this statement, and if the books are brought over we can go ahead, otherwise there will be delay; we shall waste another week or two, and then have to start in a week or two later.

Mr. Hall: I move an amendment that we call the auditor in now, to tell us further about it.

The Chairman: This is the only session we are holding to-day. Is that amendment seconded?

Mr. Ross seconded the amendment.

Mr. Hanes: Now, before that is put—

The Chairman: The question is to be gone into the first thing in the morning; what have you to say, Mr. Hanes?

Mr. Hanes: Which is to come up again in the morning?

The Chairman: This motion of yours, until we hear from the auditor.

Mr. Hanes: Very well.

The Chairman: Have you any objection to that?

Mr. Hanes: No; if the same motion stands for to-morrow morning.

The Chairman: Your motion will stand for to-morrow morning; is that satisfactory to you?

Mr. Hanes: It is to this extent, Mr. Chairman; but I want it clearly understood that the books are to be open for the Committee to have access to them; if that would not be satisfactory I would have to vote against the amendment.

The Chairman: Don't misunderstand the matter; there is no question but that the Committee will be entitled to have any books produced before it which it shall require; the matter can be brought before the Committee to-morrow morning.

Mr. Hanes: Quite agreeable.

Amendment was put to the meeting and passed.

Mr. Taylor: I wish to file the report, Mr. Chairman, which could not be found, of Mr. Kennedy, dated 12th May, 1916. Said to cover the whole line.

The Secretary: There has also been produced sub-contractors' settlements, which have been marked 148a and 148b. This Exhibit will be 149.

Mr. Taylor: 149.

The Secretary: Who produces that?

Mr. Taylor: Produced by the Department. Shall I proceed now with Mr. Anderson?

The Chairman: Yes.

Examination of W. D. Anderson resumed.

Mr. Taylor: Referring now to the Capilano Bridge, Mr. Anderson; have you got the estimate for September, 1916, before you? A.—Yes.

Q.—What do you find included in that estimate of September, 1916, which I stated yesterday was referred to by Mr. Tate in his letter to Mr. Callaghan as to putting in the estimate before the Government was out of power? A.—Well, this Capilano Bridge, in round figures, was given, covering the putting-in of the bridge about fifteen times.

Q.—Then for September, 1916, there is an estimate there respecting Capilano Bridge that covers about fifteen reconstructions or repairs to the bridge? A.—Yes.

Q.—The bridge, already stated, having been washed out by the floods several times? A.—Yes.

Q.—And that would run over how many months, the matters put in this one estimate? A.—I could not say for sure—a rough estimate may be eighteen months.

Q.—You were there at one time; you were engaged in the office? A.—Yes.

Q.—Why were eighteen months of expense in respect of one item put in the September estimate, and not in the different estimates that were prepared and submitted to the Government during those eighteen months—100 every month? A.—I don't know, I am sure.

Q.—Was there any explanation given to you? A.—None was given to me.

Q.—Have you any other items except the September estimate that will cover a long period of time, up to the month of August or September, 1916? A.—I am not prepared to say, just by looking at that report before me—

Q.—You want time to consider it? A.—I want the time to look at it.

Q.—As to the Capilano constructions and reconstructions which appear in that estimate, was there any check upon the cost of material and the cost of labour by Mr. Callaghan or his office, these costs being submitted by P. Welch? A.—I don't know. The material, this material and the labour was given by P. Welch; I simply put it in at the contract price; that is, 35 cents per lineal foot, and so forth; and we know that these piles can be got from 6 to 10 cents on the North Shore (North Vancouver).

Mr. Hanes: How much is the lumber in there? A.—The lumber in there?

Q.—What is the price per thousand? A.—\$45 is the price per thousand.

Mr. Taylor: What percentage, if any, is added on Mr. P. Welch's costs? A.—Well, there is none shown, of course; but the point is this; that these bills have been rendered as force bills; that would be cost plus 15 per cent.

Q.—Yes? A.—Now, saying that he was buying lumber at \$12 a thousand, he is getting 35 cents for it, if he used it on piles.

Q.—And those repairs and reconstructions, I take it from you, with the labour, should have been paid by force account, and not as original construction? A.—I should think so; a force account is more satisfactory.

Q.—Do you know what is included under those circumstances within the meaning of "maintenance," where a contracting company is operating a piece of railway, including this particular work? A.—Well, the road—the operating department now is still called the construction department.

Q.—Oh. A.—And under that it might be construed that it was under construction, while I should think it would be the opposite. These things are not chargeable to the original construction.

Q.—You say the operating department of this railway, in so far as it is operated by P. Welch, is still kept under the construction department? A.—Yes; so that the bills for these piles, for instance, and so forth, have been paid for under the first cost of the road, including slides.

Q.—That is on the right-of-way and maintenance? A.—Yes.

Q.—But they should be under maintenance? A.—Maintenance; engineer's charges are paid by the company, the P. Welch Operating Company.

Q.—Would the result be that Mr. P. Welch in operating this railway—does he or does he not have to pay as far as he is personally concerned; does he have to pay for the maintenance of the road? A.—Nothing but the section gangs at work, such as I said, repairing these bridges, clearing out the slides, and so forth, is paid by the Company.

Q.—And included in the return to the Government? A.—Paid through the Government.

Mr. Hanes: In the agreement with P. Welch and the Company as to operating expenses, it is agreed that he is supposed to take care of certain charges? A.—So far as that is concerned, yes.

Q.—Are you familiar with the details of that agreement? A.—I have read it over, but I would just have to read it over again to remember; it is filed.

Mr. Taylor: Mr. Tate remarks that there is a special agreement with regard to the North Shore, but that special agreement in the first place is made with the municipality, and it is filed; the municipality requires a certain service to be maintained there, in view of their releasing a certain foreshore, or in getting certain foreshore released from the railway right-of-way, in the railway taking location farther on. A.—Yes.

Q.—And the Company agree with Welch that they will pay any loss on that part of the line on the North Shore, but the Government does not agree to anything of the kind.

Mr. Tate: Of course, the Government would have to pay \$2,000,000 for that right-of-way, if they did not agree to take the loss on that.

Mr. Taylor: That would mean a new contract, and you have to see the Government before you can make them pay for it; have you any other agreement? If you have, would you produce any made with the Government?

Mr. Tate: We put one item in our estimate, but Mr. Gamble turned it down.

Mr. Maclean: Mr. Tate, I believe Mr. McIntyre, the Government engineer, made a special report to the Government on the Capilano Bridge; I would like to have that produced.

Mr. Taylor: Mr McIntyre here?

(Mr. Bullock, who was in charge of the exhibits, sent out for the report.)

Mr. Taylor: We will have that filed, Mr. Maclean. That is all, Mr. Anderson, so far as I am concerned.

Mr. Hanes: You are familiar with the clearing at Lillooet, are you? A.—Yes.

Q.—And in that vicinity? A.—Yes.

Q.—Were the station-grounds at Lillooet paid for as clearing? A.—Yes.

Q.—And how much acreage? A.—Approximately 12 acres.

Q.—What was the nature of the clearing? A.—Sage-brush; there were a few trees at one end, approximately one-quarter of an acre that was trees.

Q.—How about the right-of-way between there and a few miles towards Clinton? A.—From there to Clinton?

Q.—Was the clearing heavy or light? A.—I would call it very light; there were a few trees, but the majority of it was simply sage-brush; around the creek there were some young willows.

Q.—And there was a lot of clearing which was paid for there? A.—Yes; according to the estimate, everything on there was paid for, any clearing at all, sage-brush or otherwise.

Mr. Tate: How small was the clearing; you say it was sage-brush, they would not call it clearing; where was the line drawn? A.—Oh, on the Lillooet yards, about 2½ or 3 feet high, I guess.

Mr. Taylor: Could it have been ploughed without having the sage-brush cleared off? A.—Well, I should think so, yes.

Q.—In grading-work can you go ahead without the sage-brush being cleared off? A.—Of course, they could have the sage-brush cleared off, and plough the ground, but they could not get it in the estimates.

Mr. Hanes: How much would it take per acre to clear it, the sage-brush, the way it was at that spot; how many men would it take to clear an acre? A.—I should think you could clear it for \$10 an acre and make money.

Mr. Taylor: Do you know whether or not, looking at the estimates or any other data, whether that acreage was reduced so as to make that clearing, not the full acreage of sage-brush, at the full price of \$150 or less—for instance, if there were 20 acres of that stuff, whether or not they would allow, say, 5 acres? A.—No; it is just as it says in the profile; the profile shows that section coloured to show the clearing.

Q.—We had this principle established, according to Mr. Callaghan and those who were supporting him: that if hard-pan was difficult to handle, they called it solid rock, and paid for it accordingly. Now, upon the same principle of honesty, where sage-brush is to be cleared, the question is whether they would reduce the quantity, so that a reasonable price would be paid; it would work out the same in actual practice, which ever way it was paid. A.—Yes; the profile along Residency 20—I could show it if I had it. There are places where the clearing is made 20 feet on each side of the line; and it is possible they picked a tree out, or something near the edge of the right-of-way, and in that case they have allowed 20 feet on each side of the centre line; I was on that work.

Mr. Maclean: Were you in charge of the work at Lillooet? A.—Not on the clearing; I was the instrument-man. The instructions were to pay for it as clearing from the divisional engineer.

Q.—Who was it that was in charge? A.—Snelgrove.

Q.—I suppose you would suggest that where the clearing would cost more than \$150, that a sum should be paid in excess of \$150? A.—No; I have never seen any of this clearing that would cost more than \$150; certainly not.

Mr. Hanes: Now, you are on Residency 21? A.—No; 31.

Q.—Do you know what the price was for clearing along there, just approximately? A.—Well, I think I remember talking it over with Mr. E. Welch, who was in charge of that work, and I think he said the highest he paid was \$37.50 an acre round there, that clearing. That is for the heaviest clearing there per acre; that is between Squamish and Lillooet.

(Mr. Taylor called the witness's attention to the above error in name, and witness corrected it.)

Mr. Hanes: Roughly, what was the mileage? A.—I could not tell that without looking at the route-map. It would be Birkenhead Summit; that would be near enough to it. That is between Squamish and Lillooet, near Squamish and Lillooet.

Mr. Pooley: What would you say about the clearing at Pemberton? A.—Across at Pemberton there is no clearing to speak of.

Q.—How would you place these locations, such as Birkenhead that you speak of, as regards Pemberton? A.—This side of Pemberton?

Q.—How far? A.—Twenty or thirty miles.

Q.—On the Squamish side of Pemberton? A.—Yes.

Mr. Taylor: Your residency was what? A.—20; 31; 30.

Mr. Maclean: And you didn't cover this Lillooet ground? A.—No; I took that residency over from Mr. Snelgrove on his promotion.

Q.—Did you take it before or after this clearing was done? A.—After the clearing.

Mr. Taylor: I have the residency prices here; they are as follows, Mr. Chairman: E. M. Welch, \$30 an acre; Residency 31, E. M. Welch, \$50 an acre; 31, \$32.50; E. M. Welch, 32, \$30 an acre. Now, the residencies I have mentioned were on what kind of ground; would that be a fair price on the average paid for the clearing? And here is another one, E. M. Welch and Clarkson, \$34 an acre. A.—I think that would be a fair price; 30, the whole of 31, the whole of 32; that would be about the price.

Mr. Taylor: That is all.

Mr. Maclean: There is one question I found that I asked you last evening I want to mention; on Monday, the 12th, following that Sunday when you met Mr. Hanes, you had some talk with Mr. Callaghan, did you not? A.—Yes.

Q.—And you told him about Mr. Hanes? A.—Yes.

Q.—On that occasion where did you say you had met Mr. Hanes? A.—I don't think I said any place.

Q.—Didn't you say that you had met him casually in the street after leaving the office? A.—No, I didn't say that.

Q.—You said that you met him at home? A.—Yes.

Q.—Are you sure of that? A.—Yes; I certainly didn't say that (I met him on the street); I might have said, or probably just said I met him, to Mr. Callaghan.

Q.—Tell me what you said to Mr. Callaghan? A.—Probably said I just met him.

Q.—And didn't mention the place? A.—No, I don't think I would say it.

Q.—Did you tell him anything of the conversation that you had with Mr. Hanes? A.—Not that I remember.

Q.—Or that Howatson had been with Mr. Hanes very much lately? A.—No, I didn't tell him anything about Howatson; I don't think I mentioned Howatson to him.

Q.—Are you sure? A.—Well, of course, I cannot remember all these little things in the conversation like that, but I don't think so.

Q.—But you are not sure? A.—Not sure about that.

Mr. Taylor: You are referring now to what you told Mr. Callaghan.

Mr. Maclean: Yes; he says he is not sure about that.

Mr. Taylor: That is all, thank you.

(Mr. Bullock brought in the report recently referred to.)

Mr. Maclean (to Mr. McIntyre): Did you make a report upon the Capilano Bridge to the Government? A.—No, sir.

Q.—I was under the impression that you had made such a report; did you make the material on which to compose a report? A.—No.

Mr. Taylor: Mr. Callaghan, would you produce your correspondence with Mr. Stoner, respecting the classification of hard-pan, South Fort George? A.—Yes.

Q.—Will you have it here to-morrow morning? A.—Yes.

GEORGE COOPER GRABBLE, being duly sworn by Chairman, testifies as follows (examined by Mr. Taylor):—

Q.—You have been sworn, Mr. Grabble? A.—Yes.

Q.—Your full name, please? A.—George Cooper Grabble.

Q.—I didn't get that first name. A.—George Cooper.

Q.—Are you an engineer, Mr. Grabble? A.—I am.

Q.—What are your qualifications? A.—Well, I have had upwards of twenty years' experience. I had my tutelage with Mr. J. C. Storey on the Derbyshire County Railway, England. That was from 1894 to 1897; then I was on the Great Central Railway from 1897 to 1900; and then in charge of the Derwent Valley Railway from 1900 to 1903; and from 1904 to 1911 I was divisional engineer in charge of two sections on the Derwent Valley Waterboard Aqueduct; and from 1911 to 1914 I was in charge of a residency on the C.N.R. in British Columbia.

Q.—When was that? A.—From 1911 to 1914.

Q.—What time in 1911, to what time in 1914? A.—That would be August, 1911.

Q.—Whereabouts—to what time in 1914? A.—That would be about the end of 1913, I should say.

Q.—Whereabouts? A.—Seven miles east of Lytton, in the Thompson Valley. From March, 1914, to May, 1915, I was in charge of Residency No. 6, Fort George south, P.G.E.R.

Q.—How many miles would that cover? A.—Ten miles.

Q.—Yes, go ahead. A.—From May last year, 1916, until the present time, or, rather, from May, 1916, until November, I was in charge of track-laying, and bridges, and bridge construction, Clinton north, on the P.G.E.R., and since the beginning of November, I think it was, I have been in charge of the maintenance of the line and the construction of the line of the P.G.E.R.

Q.—You are still in the employ of whom? A.—Yes—Mr. Callaghan, P.G.E.R.

Q.—Have you been here during all this investigation? A.—Not all of it; I have heard most of it.

Q.—I want you to tell us about the classifications, how they were made, so far as your connection with the P.G.E.R. construction is concerned, and give your reasons. A.—Well, the first instance—

Q.—Give any reasons. A.—In the first instance the specifications were made to give the stationmen wages.

Q.—Will you explain it fully, and illustrate it; I suppose you have some examples in mind?

A.—Any gang of stationmen completing their contract would have a settlement statement made out by the sub-contractor, which in my opinion would be fair; I would examine it, and in some instances get the sub-contractor to either raise their prices or reduce their expenses, and then I would classify the work, in order to give them wages for some time; that would be the effect of it.

Q.—Under whose instructions would you do that? A.—Instructions, I suppose, from Mr. Callaghan through the divisional assistant engineers.

Q.—So that the classification would, or would it not, conform to the actual quantities and classes of materials in the work? A.—That depends on the interpretation of the specification, the way the classifications are made.

Q.—You have stated that you would place a classification that would bring a certain result? A.—That is the idea.

Q.—Would you have done that had you not received the special instructions, if you had been left alone to perform the work? A.—I cannot say as to that; I had specific instructions.

Q.—Supposing you were conscientious about it, how would you have classified that stuff? A.—Well, in some cases I would have given a greater classification; but in other cases I would have given somewhat less; I might have given a higher classification than loose gravel or loose earth in some cases; it depends on the interpretation of the specifications.

Q.—Were there, for instance, cases where loose earth and hard-pan was classified as hard rock? A.—Not as hard rock.

Q.—How would it be classified? A.—Hard-pan and loose rock.

Q.—Increasing its pay from 32 cents to 50 cents a cubic yard? A.—Are you referring to stationmen?

Q.—We will say, to the stationmen. A.—It would increase from the price in the specification, 21 cents to 27, 28, 29, and 30.

Q.—Those are the prices for what? A.—Hard-pan or loose rock.

Q.—Mr. Welch's prices being 50 and 55 cents respectively on the same stuff? A.—That is right.

Q.—You wanted to give them so much for the time of their work, for wages, instead of paying them on a classification basis pure and simple; and you were taking into consideration, of course, all their expenses, for goods and supplies, and that sort of thing? A.—Yes.

Q.—You would have to know that from Welch's book-keeper? A.—In the settlement statement of the stationmen.

Q.—That is, from P. Welch's office? A.—From the sub-contractor's office, the sub-contractors on the ground.

Q.—That would mean that you would have to classify the work so as to give all the men, over and above the profits that were being made on those stores supplied by the sub-contractors, or P. Welch, as the case may be, an amount equal to wages, and the store accounts of the sub-contractor must be paid in full? A.—Yes, that is right.

Q.—By reason of your classification? A.—That is right.

Q.—That would mean that the sub-contractors' store accounts to the stationmen, or P. Welch's store accounts, or the supply accounts to the stationmen or to the sub-contractors, would be paid in full by reason of your change of classification? A.—Except in a few cases where the sub-contractor cut down those charges. In some cases they were cut down to help the stationmen out; for instance, the sub-contractor would reduce those charges and raise the classification with Mr. Callaghan; in some cases he would raise the prices probably from 75 to 85 cents on rock.

Q.—What charges were made against the stationmen, in your experience, for plant and rails, for instance? A.—Well, I am only speaking from memory.

Q.—Very well. A.—I think the charges for rails were \$10 per hundred feet per month rental. I think it is—I am speaking only from memory.

Q.—Those rails would be these light rails used for the low cars? A.—24-30-lb. rails.

Q.—What is the cost of them? A.—The actual cost?

Q.—How much would the rails cost per 100 feet; what would be the original cost, brand-new? A.—Well, that depends on the price of steel; I could not say offhand.

Q.—Take the average price of steel during the time of construction. A.—At 30 lb., I would say it was worth about \$30 a ton at that time; it is 100 feet you want?

Q.—I want to see what the price is for the same quantity that \$10 a month was paid for? A.—That is what I am figuring.

Mr. Maclean: That would not include the cost of getting those rails on the ground? A.—No, it would not.

Mr. Taylor: Would you give me the cost of them for 100 feet; I understood you to say that \$10 per month was charged for rental? A.—I believe that is the figure; that can be checked from the accounts.

Q.—What was the cost of those rails only, per 100 feet?

Mr. Pooley: Where at, that is one factor.

Mr. Taylor: Where he says that the \$10 a month was charged.

Mr. Pooley: What would be the actual cost to the contractor at that particular point, do you mean?

Mr. Taylor: Exactly. I just want the cost of the rails at this point, in a rough way, per 100 feet. A.—Well, there is long transportation from Fort George, about eighty miles, and steamer charges, and freight-haul; twelve miles freight-haul.

Q.—Can you figure what it amounts to? A.—Of course, I have no idea of the river freight, which covers haulage costs, but I believe $1\frac{1}{2}$ cents a pound is charged on that class of material on the steamer, and the cost of hauling from the river up to the camps up to an average point of the line of work in addition.

Q.—You have got that in the specifications as \$1 per ton per mile. A.—Not on the ground—

Q.—Well, figure it on \$1 per ton. A.—That is, of course, an enormous amount to get; you want the average.

Q.—I mean for the whole cost of it at the point of operation. A.—\$15 a hundred feet; that is about what it would cost.

Q.—\$15 a 100 feet? A.—Yes.

Q.—For what, for each 100 feet? A.—For the rails.

Q.—You say that that is the cost of the rails on the ground, where they were on the ground, per 100 feet, and they were charging \$10 a month rental per 100 feet?

Mr. Maclean: Haven't you been figuring on the transportation from Fort George? A.—That is all I have been figuring in that estimate.

Q.—How do they (the rails) get to Fort George? A.—I cannot tell you.

Mr. Pooley: Do I understand you to say that the value of the rails is \$15, or the freight? A.—That is the freight, \$15. The value of the rails I make \$35 at Fort George, which would make \$45 per 100 feet on the ground.

Mr. Taylor: And \$10 a month rental was charged? A.—That is only if you can buy rails at such prices at Fort George. (Referring to Mr. Pooley's question, and the total cost.)

Q.—It might go to \$50, exactly. A.—That is the sole charge against the stationmen, \$10 a month.

The Chairman: How long do those rails last? A.—Oh, a great many years; probably these came from the Grand Trunk Pacific to the P.G.E.R.

Mr. Taylor: They had been in use before, and they were very much second class, weren't they? A.—I believe they were second-hand.

Q.—What do stationmen as a rule use when they have any plant? A.—He would want cars.

Q.—What kind of cars? A.—Dump-cars.

Q.—Were they able to build the cars on the work, or did they bring the cars in? A.—The ironwork was brought on to the ground.

Q.—And the rest of the car? A.—The stationmen built their own cars with the timber.

Q.—And with the ironwork? A.—Yes.

Q.—And what was charged to them for the cars, per month, or per week, or per anything? A.—Speaking from memory, I think the cars were \$10 per month each.

Q.—Do you know what the ironwork in one of those cars is worth on the job? A.—No, I could not say.

Q.—Approximately? A.—I could not speak even approximately.

Q.—And that ironwork would last how long; that means the truck-wheels? A.—That can be estimated in the proper way by depreciating the value of it, giving it a life of seven years, and depreciating it at the proper rate.

Q.—What would you say would be the life of these iron trucks? A.—In construction-work, I should say it could be figured as good for two or three jobs.

Q.—Do you mean on railway-construction jobs? A.—Yes, the work on the G.T.P. or on the P.G.E.R.

Q.—Exactly, good for two or three railways? A.—Yes, good for that.

Q.—As to the goods and provisions supplied to the stationmen, how did that work out in your experience; take butter, for instance? A.—I cannot remember the prices now exactly; I could not give it to you.

Q.—Cannot you remember any one of them—say butter; that is an easy one to remember. A.—No, cannot remember it.

Mr. Hanes: What was the charge per day for horses? A.—That is pretty difficult for me to remember these things, you know; they are ancient history; but I believe it is \$2 a day.

Q.—Some of them were \$2.50, were they? A.—I don't know; the accounts will show; the settlement accounts will give you all those details.

Mr. Taylor: I was going now to the question of bridges; you had something to do with the bridges, so some person said. A.—Yes.

Q.—You were on the bridges north of Clinton? A.—Yes.

Q.—As well as on this side of Clinton? A.—I was on construction-work north of Clinton.

Q.—Were commercial lengths paid for the timber used north of Clinton? A.—No; paid everything net.

Q.—Under whose instructions, if any? A.—That was paid net.

Q.—Have you checked up to find out whether those went into the estimates on a net measurement and not on a commercial measurement, and passed finally to the Government? A.—I checked that up; went through every estimate.

Q.—What do you mean, going through "net"? A.—The actual net lengths of the timber as left in the structure.

Q.—Did you make any extra allowances with P. Welch in respect of it; you say that was finally charged to the Government? A.—No extra allowances; the net measurement was given to the general contractor.

Q.—You had a great many bridges to handle in your work, did you? A.—Yes; the bridges took a quantity of 236,000 timber.

Q.—Have you found out whether, as to those bridges, P. Welch has been allowed in the charges to the Government anything in addition? A.—Yes; I can swear he has not.

Q.—Do you remember when you made your estimate north of Clinton first as to bridges? A.—I believe the first bridge I estimated in August.

Q.—What year? A.—1916.

Q.—Then that would get into the September estimate; it might or might not get into the September estimate? A.—Yes; it may get into the August or September estimate.

Q.—We have had that September one. I am speaking from memory; I think it is Exhibit 41. Witness: 42 is September, 1916.

Mr. Taylor: It must be 41, because there are only 41 estimates. A.—The number of the estimate is 41?

Mr. Tate: There are six more.

Mr. Taylor: Did you allow for the false-work for Howe trusses or not? A.—Yes; do you know the false-work for Howe trusses?

Q.—None was allowed for the trestles? A.—None for the trestles.

Mr. Hanes: You referred to the classifications; these were made to meet these bills of the sub-contractors? A.—Yes.

Q.—Would that increase include the hard-pan, and loose rock, and solid rock in some-cases? A.—Yes, in some cases. Certain contractors would be raised to solid rock, and others to certain material, another class of material, hard-pan and rock.

Q.—In some cases where it was raised to solid rock, would a certain percentage of that remain on the sub-contractor's estimate and go through the Company's estimates? A.—It was

reduced to the sub-contractor afterwards; to bring it down to a limit of profit which was arranged.

Q.—What did it cost ordinarily to take out this hard-pan; could you tell us from memory; you were referring to some cases just now? A.—The only way to get that statement is to have the total of the cost of the work done by the stationmen, and abstracting it from the settlement sheets.

Q.—After these increases of classification had been made to the sub-contractor, and, as you stated, in some cases they were cut down.

Mr. Maclean: To the stationmen.

Mr. Hanes: Increased to the stationmen, and then cut down? A.—To the sub-contractor.

Q.—To the sub-contractor; would there still be in some cases a percentage of solid rock remaining on the estimates which would go through the sub-contractors' accounts and through Mr. P. Welch's accounts? A.—Yes, that is so.

Q.—About what percentage? A.—I could not tell you without going into those estimates. I remember we reduced the classification very considerably to the sub-contractor, and after I left my residency I believe it was further reduced by Mr. Stoner; but the final estimates will be the best way of showing that, whatever appears in the final estimates.

Mr. Pooley: You told us that you had been connected with the Canadian Northern; is that the only other line in Canada that you have worked for? A.—Yes.

Q.—Do you know if that system is adopted here? A.—Yes, the same system.

Mr. Maclean: With regard to these bridges, have you ever estimated bridge-timber according to commercial lengths instead of what was actually in this structure? A.—No, I never have; the Old Country practice is to pay for it by the net cubic foot in the structure.

Q.—You have had considerable experience in the Old Country, have you? A.—A matter of about seventeen years.

Mr. Taylor: With regard to excavation in foundation? A.—Yes?

Q.—Will you just state what your practice was with regard to that matter? A.—Grading classification.

Q.—To whom? A.—To the stationmen and the sub-contractor. It was sent in through the estimates and classified as earth, hard-pan, loose rock, and solid rock.

Q.—That is the material that we find now is paid for at \$3 a yard to Mr. Welch? A.—Well, I cannot speak as to that at all.

Q.—Then we will make it more specific; are you referring to the foundations of cribs holding embankments? A.—Bridge-pits, I am speaking of them.

Q.—Just bridge-pits? A.—Yes.

Q.—That was \$3 per cubic yard; those were put in by you at the grading price? A.—At the grading classification.

Q.—Speaking now of crib foundations in embankments, not for the diversion of streams, dry crib foundations; how did you classify those in making your reports? A.—I have not any crib foundations at all.

Q.—I take it, as to the bridge foundations, that you have nothing to do with them; they were subsequently put in at \$3 a yard. Of course, that is the proper price to Mr. Welch. Had you any instructions to follow grade classifications? A.—Well, the first estimate I made out I classified according to that grading classification.

Q.—You did that right from the very start? A.—Yes.

Q.—Did any person give you any instructions in the matter? A.—No.

Q.—Do you suggest that bridge-pits should be paid for on grading classifications or at \$3 a yard? A.—No, I do not suggest that at all; but in order to get my information, I looked up the specifications, as to how this thing should be classified.

Q.—As I read these specifications, they are quite distinct that bridge foundations and culverts have to be classified as \$3 a yard; that is the track-ballasting price; you were dealing with the specification and I am dealing with the prices, we may be a little mixed there. A.—I think so, possibly.

Q.—No, it was the general specification I was dealing with. It says, excavation in foundation, no coffer-dams, \$3 a yard; that is in Welch's prices? A.—That would not be in our specification at all.

Q.—You are going directly by the printed specification? A.—My interpretation of the specifications.

Q.—Now, just take Exhibit 6—I think you are right about that, it would be Exhibit 6 or 98. This is 98, the same as 6. That is the grading there? A.—Just one moment. I want to get at one of the culverts to see where it comes in.

Q.—The next here is foundation. A.—That is the classification of the culverts, you see.

Q.—You are referring now to Exhibit 6, or Exhibit 98, or both of them? They are both the same. Paragraph 39: "Excavations in foundations. Under this heading will be included all material excavated from foundation-pits for truss bridges, frame trestle bridges, culverts, excavations for foundations of cribs used for the protection of embankments from streams, or for changing or deflecting the channels of streams." And you thought in reading that that you should classify it under the grading classification? A.—Yes, according to the specification; I classified it accordingly.

Q.—There is no dispute over the price that shall be paid for that—\$3 a yard. I am passing from that subject now, and I want you to speak of ties. Had you anything to do with the men who supplied the ties? A.—Yes; we had various tie-makers on our work and sub-contractors.

Q.—Had you anything to do with the men who supplied the piles? A.—Yes; and we also got out some piles.

Q.—Will you tell me what the piles cost on an average, as a rule, on your residencies? A.—25 cents.

Q.—I mean what it would cost to the man who made the ties—the tie-makers? A.—Well, at 25 cents they are making very good wages; they would make \$4 or \$5 a day, practically.

The Chairman: Is that delivered at the right-of-way? A.—Yes; that is delivered alongside the right-of-way.

Mr. Taylor: And Welch's price is 50 cents and that is delivered alongside the right-of-way. Through this country that required the roads, and the piles, were they delivered along the right-of-way for that price? A.—Yes.

Q.—Delivered where required? Were they delivered where required? A.—Yes, delivered where required.

Q.—And what was the price that was paid per lineal foot for piles on an average? A.—Well, I think the sub-contractor paid as much as 9 cents in one case.

Q.—As much as 9 cents. And the price to Mr. Welch was 35 cents for the piles and 35 cents for the driving; that is 70 cents altogether. And you paid as much as 9 cents and as little as what? A.—As 4.

Q.—From 4 to 9 cents per lineal foot, delivered where required by the tie-maker? A.—Delivered on the right-of-way, not necessarily where required. Some piles that I am referring to had to be transported twenty miles distance after the steel was laid.

Q.—That was by train? A.—Yes.

Q.—Were there any piles on your residency that were actually used and delivered on the site, where used, for the price that you have named? A.—Oh, yes, quite a big number at those figures.

Q.—And delivered at what price—from 4 to 9 cents, would you say? A.—Yes, I should imagine that would cover it.

Q.—Per lineal foot. And the price to Mr. Welch was 35 cents. Had you anything to do with the culling of ties? A.—Yes.

Q.—What were your instructions as to culling ties? A.—Oh, we classed the No. 1 as a 7-inch face and 7-inch thickness; and No. 2 as a 6-inch face and 6-inch depth; and anything else than that was a cull.

Q.—What would be a 7-inch face with a 6-inch depth? A.—That would be No. 1. It would be a matter of discretion as to whether you would call it No. 1 or No. 2, just depending on what kind of a tie it was.

Q.—But anything else was culls? A.—Yes.

Q.—What was the reason for culling the ties? A.—Oh, there would be various reasons. Making it too small would be the chief reason.

Q.—Well, what was the idea—to have it drawn off and moved off the right-of-way?

Mr. Maclean: "Unless purchased by blank."

Mr. Taylor: What purpose was it there for? A.—For the purpose of rejecting them.

Mr. Taylor: That is all Mr. Tate wants read, and I do not see that the balance has anything to do with it.

The Secretary: Who produces that—the Department of Railways?

Mr. Taylor: The Department of Railways. It is the first letter on the file and is dated March 5th, 1917. This is all, as far as I am concerned, with this witness.

(Letter marked "Exhibit 150.")

Mr. Maclean: Mr. Grabble, Mr. Callaghan has put in here a statement which I think was prepared or looked over by you?

Mr. Pooley: What exhibit number?

Mr. Maclean: I have forgotten the exhibit number; it is in and marked.

Mr. Pooley: It ought to have a mark on the back of it.

Witness: This is the first time I have seen this.

Mr. Maclean: Is it? A.—Yes.

Mr. Pooley: What is the mark on the back of it? A.—I don't know.

Mr. Maclean: Well, my instructions are wrong, apparently.

Mr. Taylor: Isn't there a copy of it filed. Those were Mr. Callaghan's instructions you refer to?

Mr. Maclean: Yes, as to the offsets that might possibly be made.

Mr. Taylor: That is filed.

Mr. Maclean: Well, I thought Mr. Grabble knew something about it, but he doesn't.

Mr. Taylor: That is all, Mr. Grabble, thank you.

(Witness aside.)

WILLIAM REID CRONBERRY HOWATSON, witness, being called and sworn herein as a witness on behalf of the Department of Railways, testifies as follows:—

Questioned by Mr. S. S. Taylor, K.C.

Q.—Mr. Howatson, what is your full name? A.—William Reid Cronberry Howatson.

Q.—That is the interpretation of it? A.—Yes. I got this slip out so that it would be convenient to give the stenographer.

Q.—How long were you in the employ of the Pacific Great Eastern? A.—From December 7th, 1912—

Q.—I beg your pardon? A.—From December 2nd, 1912, to December 7th, 1916.

Q.—And you were in whose office? A.—The chief engineer's.

Q.—As chief clerk? A.—Yes.

Q.—You were all the time in that Vancouver office? A.—Yes.

Q.—What were your duties in that office? A.—I had general charge of the office, excepting the more technical part of the work, which was left to the assistant engineer, Mr. Stewart.

Q.—Have you had any engineering experience yourself? A.—No, nothing, except what I have gained in a general way. I have had general charge of the work, and, as a matter of fact, I did serve a few years of apprenticeship in marine engineering, but I don't know very much about it.

Q.—You had to compile what documents in that office, if any? A.—I had to compile practically all the documents that have been compiled, I think.

Q.—Did you make up all these estimates? A.—I was making up all the estimates, yes, excepting the bills of material and such-like, which would be made up by the assistant engineer.

Q.—And as far as checking was concerned, you had to do the checking? A.—Yes.

Q.—What staff did they have in that office on an average? A.—Well, it varied a great deal. I think the most I had in my office was seven men, but at one time we had about twenty draughtsmen.

Q.—Will you state what knowledge you have of the Government supervision, if any, of the Pacific Great Eastern work whilst you were connected with the railway in those years? A.—I think there was practically no Government supervision whatever.

Q.—Practically none. Was there ever at any time any Government inspection of the data in your office? A.—No, none, except the copies of cross-sections and summaries which we would send to the Government, and which would be checked up there to a certain extent, and they wrote us occasionally about different things.

Q.—Would the Government check up the copies which you sent from your office? A.—Well, we would send them copies of our cross-sections and summaries of our monthly estimates.

Q.—Where would they go to for information to do the checking? A.—Well, this would be sent to Mr. Gamble.

Q.—That is, you would send copies of the cross-sections to Mr. Gamble? A.—Yes; and each month we would send a summary of the estimates to Mr. Thomas, and we would send our office copies of the details to him, and Mr. Thomas would check up those with the summaries that we had in our office, and then he would return us these details for our own files. We sent out two copies of the summaries. Mr. Gamble got one of the summaries, and in the case of there being extra work bills, we would send out two copies of the extra work bills together with the summaries. Mr. Gamble would get these, and then after a while Mr. Gamble advised me that he did not require to have the bills himself, so we simply supplied him with the summaries alone.

Q.—The extra work bills would be rendered to you by whom? A.—By P. Welch.

Q.—Dealing with that feature, were those extra work bills which came from P. Welch, work bills with the details of the general items there contained? A.—In some cases only.

Q.—In some cases only they would be accompanied by details; is that what you mean? A.—Yes.

Q.—To what proportionate extent did you have details and in what respect not? A.—Well, we had details in regard to the general work in the field, or of small bills, and things of that nature, up to a few hundred dollars; but when we would come to the larger bills on the North Shore we did not get the details. For instance, there were a lot of extra bills covering buildings, fuel-stations, and those items, which were put through in bulk with no details.

Q.—What class of buildings would those be that were put through in bulk with no details? A.—The North Vancouver station and fuel-houses, and such-like.

Q.—Could you put your hand on that North Vancouver station-work account? A.—I think it is July, 1916. I am not certain of that, but I think it is July, 1916, estimate.

Q.—The July, 1916, estimate? A.—Yes.

Q.—I just want to use that as an illustration of what you meant by the work bill, and what is put in without details. There are many of them, but one of those will be sufficient? A.—No, it is not July, either. I see it is July, beginning with section 3, so that date could not be July. Those are the details here.

Q.—Is that one of the bills here? A.—This is building North Vancouver station-house.

Q.—Just read the bill in detail into the notes? A.—“Vancouver, B.C., January 28th. Pacific Great Eastern Railway Company, Engineering Department, to P. Welch, debtor, Hollyburn Office.

“Building North Vancouver Station and Addition to Platform.

“740 F.B.M. maple flooring @ \$90.....	\$ 66 60
64,000 F.B.M. lumber @ \$16.....	1,024 00
Hardware	663 93
Windows, doors, sashes, etc.....	105 04
Wiring and installing fixtures.....	95 70
Plumbing	128 57
Painting	331 40
Freight on material.....	38 96
Labour	933 50

Total	\$3,387 70
Plus 15 per cent. on labour.....	140 03

Total of the bill..... \$3,527 73 ”

Q.—Now, it is that labour account which you mean, which you did not have particulars of? A.—Yes.

Q.—Now, how could you possibly check up to know if you were getting the correct figures from these people with just these meagre details? A.—Well, we could not unless we examine P. Welch's books. We had certain details of material, but they were not complete by any means, and we did not have the prices, of course.

Q.—Now, did you have any way of finding out from that what profit P. Welch was making; whether it was 15 per cent. less or more outside of labour? A.—No, none whatever, except as a matter of judgment—if you took the trouble to find out.

Mr. Maclean: Except as a matter of judgment.

Mr. Taylor: I want you to deal now fully with the system followed as to classifications? A.—In which particular? The foundations, you mean?

Q.—Everything. Take the whole subject-matter? A.—Well, with regard to excavations in foundations, I have listened to the evidence on that, of course; and it is evident that Mr. Callaghan has made some mistake, or he has forgotten the circumstances of the excavation on section No. 3 particularly. I remember distinctly I took up the matter of those foundations with him on more than one occasion, and I remember at one time remarking to him that it was surprising Mr. Gamble had not made some mention of these crib foundations. I myself turned up the profiles and found what that classification was. There was no excavation there. And when it came to one month—I just forget what month it was; but the amount was fairly large, and Mr. Merriam was over in the office at that time—there was some reason he was there—or he came there for that purpose—I don't remember which; but Mr. Callaghan instructed Mr. Merriam to put that foundation back from the foundation into classification.

Q.—Do you remember what that one was? A.—No, I don't remember. It was in 1914 some time, and Mr. Merriam stayed there and he classified that, and put it back into reclassification as earth and solid rock.

Q.—How long did it take him to do it? A.—I think he was there in the office one or two days, but whether he had any other business in hand or not I don't know. He was there for a couple of days, and I remember distinctly my clerk, who was doing the figure on that (Mr. Thomas), was held up from his work on account on Mr. Merriam. He was unable to get his work done in order to allow Mr. Merriam to do this work, and when Mr. Merriam got that done I took it into the chief engineer, and he asked me what the difference was, and I told him it was either \$70,000 or \$100,000 that it came to for the whole thing.

Mr. Maclean: How much? A.—\$70,000 or \$100,000. And he made the remark that Martin Welch—

Q.—Who made it? A.—Mr. Callaghan did.

Q.—What was the remark? A.—Well, I don't think he had very much respect for Martin Welch, and he made the remark that he would be sore at being cut down in this way—being cut down from the classification; and I made the remark at the time to him that he would not care, because he would get his classification, anyway. The man who would care would be P. Welch. He was getting \$3 a yard, and Mr. Callaghan put that yardage back in the foundation estimates, and I think the estimates will show where they were taken out and put back in that month.

Q.—What do you mean by being taken out and put back again? It came from Merriam in the first place, didn't it? A.—As foundations.

Q.—So many gross yards? A.—Yes.

Q.—Which would mean that Mr. Merriam would be classified at \$3 a yard? A.—Yes.

Q.—And Mr. Callaghan told you to divide it into what? A.—To put it back into classification.

Q.—That is, so much earth, and so much loose rock, and so much solid rock? A.—Yes.

Q.—And you got Mr. Merriam down there for that purpose? A.—Well, I don't say he was there for that purpose, but he was there at the time or happened to come in just then.

Q.—Now, I don't catch everything you say. You don't speak plainly, and you seem to get in there between Mr. Maclean, and Mr. Maclean's head comes in between you and me, so I don't catch everything you say. Just repeat what you were saying. A.—Well, Mr. Merriam was there, anyway.

Q.—And he changed it into so much earth, so much loose rock, and so much solid rock?

A.—Yes.

Q.—And then you had a conversation with Mr. Callaghan about it? A.—Yes.

Q.—And your talk about Martin Welch and P. Welch took place then? A.—Yes.

Q.—With what result? A.—It was ordered by Mr. Callaghan to put it back again.

Q.—At \$3 a yard? A.—Yes; and I think the sheets were actually changed. It would show when the classification was scratched out and put back again; I know it was rubbed out two or three times.

Q.—That is the one that Mr. Callaghan is talking of when he spoke about these sheets being rubbed out and changed? A.—Yes. We had two sets of those in the field—one was retained in our office, and one was sent up to Mr. P. Welch. We would in all probability keep the best copy for ourselves and give P. Welch the one most damaged.

Q.—Those two sheets would be the sheets for culverts and bridges, and the other would be the grading? A.—Well, some might be shown on the grading too; I don't know. Some of the resident engineers put it on grading sheets, and some put it on the bridging sheets, and we corrected it several times.

Q.—And do you say that those sheets ought to show the rubbing-out that was done? A.—Yes. P. Welch had one set and we had another set, and if we only altered one set in the first place, we would probably keep the best set in our office and give P. Welch the damaged one.

Q.—So in that case he would have the one with the rubbing on? A.—Yes.

Q.—In all probability; but you don't know definitely about that? A.—No.

Mr. Maclean: Is it here? You had better look it up. A.—Well, I will look it up if you like.

Mr. Taylor: You will make a memo. of that? A.—Yes.

Q.—How long would it take you to look it up? A.—Well, I would have to look back into the April, 1914, estimate and the December estimate.

Q.—I want to speak further as to the classifications? A.—There was a reclassification made in our office of which I was aware. Mr. P. Welch's office sent us up each month for a considerable period, anyway; he sent us up some memorandum showing the standing of sub-contractors, and I got them occasionally myself from Mr. Brown, the accountant. In most cases they simply gave the figures—that Byrnes, Jordan & Welch would be \$5,000 in the hole, and we would reclassify that in the office to meet those conditions. Mr. Callaghan would tell me to get that reclassified, and tell me to change the quantities to meet that condition.

Q.—In the Vancouver office? A.—Yes.

Q.—You would get a statement of the financial standing of some sub-contractor? A.—Yes.

Q.—Showing whether he was ahead of the game or behind the game? A.—Yes.

Q.—Now, if he was ahead of the game, would you ever reduce him? A.—Yes, he was reduced. I remember one month—I don't know how the whole thing came out, but there were some notes I had of it, and it showed for that month that there was a \$37,000 reduction.

Q.—Of whom? A.—P. Welch in favour of the Company; and over the whole period, of course, I don't know what he would come out at. I think for six or eight months in the office that reclassification went on, but I don't know the result of it; but that was the method adopted.

Q.—And that would mean, of course, changing the yardage that came in from the fieldmen? A.—Oh, yes; we got the sheets in from the fieldmen, and those sheets would also show those changes. There was quite a bunch changed.

Mr. Maclean: Well, that was against Mr. P. Welch, you say? A.—It was that particular month; but, of course, this work went on for a period of six or eight months, and it would show by checking up the estimates just how it turned out, and this is not a five minutes' work by any means.

Mr. Taylor: But you remember one month it had the effect of reducing P. Welch's classifications about \$37,000? A.—Yes; either \$37,000 or \$47,000.

Q.—But you are not prepared to say what the result of the whole system was? A.—No. There were other months when it went up just as much, but I don't know what the final result was. It might be more or less, but I think that could be checked up to find out what the final result was.

Q.—We are dealing with the system now. What was the reason given by Mr. Callaghan, if any, for making the actual changes of classifications to arbitrary ones such as you have described? A.—He did not discuss it with me particularly.

Q.—You would get your instructions to do it, but did you get any reason for your instructions? A.—No. The reason was there was a memorandum sent out from P. Welch to get it adjusted according to that.

Q.—That was a memorandum of the financial standing of the sub-contractors? A.—Yes.

Q.—And how generally was that system employed in respect of the sub-contractors? A.—Oh, it was employed all the way from Fort George south—well, on the Fort George Division; that is Fort George, south of Mile 132, Residencies 1 to 20. Fort George south it was employed altogether there—at least, to a large extent; and also from Lillooet to Clinton. In fact, from Lillooet north also I think there was the same method, but I would not swear to that; but I think there was some there near Clinton.

Q.—Now, do you know whether the sub-contractors or stationmen who were affected by these methods were ever consulted as to these changes? A.—No, they were not.

Q.—The usual clause in the contract is that the sub-contractor agrees to accept the quantities fixed by the arbitrator, who is the chief engineer. He occupies the position of an umpire or judge. Now, do you say that the sub-contractors and stationmen to your knowledge were never consulted? A.—No, they were not.

Q.—By this judge? A.—No. I have made a mistake in that; there was one item I did know of. I should have remembered it. It was a letter from Griffin & Co. which came into the office, and it showed that he had discussed it with Mr. Callaghan and Mr. Stewart.

Q.—What Griffin? A.—A. E. Griffin. He had a second contract south from Fort George.

Q.—Where is that letter? What is the date of it? A.—Oh, I don't know.

Q.—About when? A.—Oh, I think it would be—well, somewhere around about the fall of 1914 or the beginning of 1915, although I really don't know exactly.

Q.—That would be a letter from Griffin to Callaghan? A.—Well, no. Griffin was writing to his sub-contractors. He had subs—four of them—and he sent a copy of the letter to Mr. Callaghan to our office.

Q.—I would like to have that letter produced? A.—He said that he would talk the matter over with Mr. Callaghan and Mr. Stewart with regard to giving the percentage of solid rock; and he said if Griffin's subs would give a raise of price—

Mr. Maclean: To the stationmen? A.—He said, if Griffin's subs would raise it to the stationmen, he would stand for it, and it continued on to the effect that he expected them to turn in a correct statement of the stationmen's expenses. He guaranteed that to Mr. Stewart and Mr. Callaghan, and it was agreed, if they did that, he would arrange to take care of them at the completion of the work.

Mr. Taylor: I would like to have that letter produced and filed? Will you do that, Mr. Callaghan? Now, will you proceed, Mr. Howatson, and tell us as to anything else that you know about respecting classification? A.—Well, that is all I know about classification.

Q.—Do you know of any arrangements being made as to any sub-contractors being paid so that they would net a certain profit? A.—Oh, yes; I heard it from several sources. It seemed to be common knowledge.

Mr. Maclean: Surely that is going too far.

Witness: I was told by P. Welch's own accountant. Mr. Brown told me it himself, and also Mr. Stoner, that Griffin & Co. and Byrnes, Jordan & Welch were getting a set profit on the work. I think the figures mentioned were \$31,000 in one case and \$30,000 in another.

Q.—They were to make a profit in any event? A.—Yes, on the final sub-contractors' estimate furnished to P. Welch. There were only three sub-contractors who got the work; as I understand the case, the classification was arranged, anyway, to meet these cases, and therefore they could not make the sub-contractors' and the stationmen's work balance with the whole thing, probably.

Q.—Now, as to the crib foundations, we have had that discussed in your presence by other witnesses. Do you agree with what has been said? A.—Well, I have just been saying, that with regard to the crib foundations, Mr. Merriam came to the office and it was changed there.

Q.—Now, what do you say about Mr. Callaghan knowing or not knowing about those crib foundations prior to Mr. Oliver having his interview in 1917 with Mr. Callaghan? A.—Well, I know, of course, that he knew of it, because he had discussed it with myself several times between this time that Mr. Merriam came in.

Q.—And then having got Mr. Merriam down there at that time, these were changed, I understand? A.—Yes; those are the same crib foundations that Mr. Merriam changed back. It never came through the Government, of course. It simply meant that Mr. Merriam made his change and put it back to what it was in the first place.

Q.—You had better try and give us the time that Mr. Merriam did that, because, as I understand it, Mr. Callaghan took the position that he did not know about this crib foundation error? A.—Well, it was somewhere around the summer of 1914.

Mr. Maclean: Of 1914? A.—Yes.

Mr. Taylor: Now, you have heard Mr. Anderson say here that Mr. Callaghan could not help but know of it, because of his looking at the estimates every month. Now, what have you to say about that? A.—Well, I could not say anything about that, because on the grading foundation sheets it shows the crib foundations; but they might have been “wet foundations,” and he would not know about it unless he asked whether they were or not. But I might say, just before Mr. Merriam came down here—probably two months before that—he drew attention to the estimate running so high for this work, and I took it up with Mr. Callaghan.

Q.—Now, what have you to say as to Mr. Callaghan knowing, or not knowing, anything about that extra 433,000—and it has also been spoken of as 503,000 which was allowed to P. Welch over what was allowed to Culliton Bros. for bridge-timber. Culliton was paid by the thousand for their labour in putting it into the bridge, and Mr. Welch was paid for the labour and cost of material? A.—Well, he knew about that in the first place when he started.

Mr. Maclean: I did not hear you.

Witness: The first time I knew of it was when an estimate came in from Mr. Crysdale in connection with it.

Mr. Taylor: About what time was that? A.—I don't know when it would be. It would be about the beginning of the bridge-work.

The Chairman: Do you mean to say Mr. Callaghan knew of it? A.—Yes.

Mr. Maclean: He knew he was paying for commercial lengths? A.—Yes.

Q.—He took the position that he ought to be paid for that?

Mr. Taylor: About what date is that? A.—It was about the fall of 1913, but I don't remember exactly. That was about three or four years ago, and when the first estimate came in from Mr. Crysdale it was sent in in duplicate. There was one from Mr. P. Welch and one for Culliton, and they differed, because one was merchantable and the other wasn't; and I asked Mr. Crysdale in the office, who was there when the estimate came, what that was for, and he said he had arranged with Mr. Callaghan to have that put in in that way; and I asked Mr. Callaghan if that was right, that those were to be kept separate, and he said yes, and he put it through to the Government as an estimate of the whole length.

Q.—Turning to the question of these extra work bills, had you any instructions from Mr. Callaghan as to whether or not you would accept P. Welch's estimates without any investigation? A.—Well, in the early part of the work, when we started getting force bills in, I suggested, I think, then to Mr. Callaghan that with regard to the wages and the price of materials and such-like, I would write up to the field office and get a list of them from them showing what had actually been paid, and Mr. Callaghan told me that was not the thing to do. He said we should get them from P. Welch's Vancouver office. We could get them in all cases from P. Welch, and would accept P. Welch's prices as submitted; and the result was that from time to time we received letters, and we had about a dozen letters from the office there from P. Welch showing his own prices for labour and material and such-like, and especially the plant used; and we checked his bills with his own prices, and the check was merely to show that there were not any mathematical errors.

Q.—That was your only check? A.—We had no check as to the cost of these things.

Q.—And what was Mr. Callaghan's ruling, if any, as to what your conduct was to be? A.—Well, those were his instructions.

Q.—In connection with this extra work that was being done on those buildings, etc., did you have any knowledge of any estimated prices being submitted by P. Welch before these arbitrary prices were fixed or agreed upon, such as we see now attached to Exhibit 3? A.—No, there were never any fixed as far as I know.

Q.—How did those prices first come to your office? Did Mr. Callaghan have anything to do with fixing or advising upon them? A.—No. Mr. White would very often discuss them with me, and ask what I thought was a reasonable price, and in every case I referred him to Mr. Callaghan, as I had nothing to do with the settling of the prices.

Q.—Do you know whether he went to see Mr. Callaghan or not? A.—No, he did not as a rule. He would say he would fix something up, and he wrote Mr. Tate letters of what he thought the price should be put at, and then we would get the letter—

Q.—Mr. Tate has said Mr. Callaghan fixed the prices, and Mr. Callaghan said Mr. Tate fixed the prices with P. Welch. Now what do you say about it? A.—I think Mr. Tate and Mr. White fixed them.

Q.—And you think Mr. Callaghan is right, then, in what he says? A.—Yes, certainly.

Q.—Now I want you to speak as to the Capilano Bridge and its repairs and reconstruction, including the original construction, and the reason why it was included in the 9th September, 1916, estimate, and not included in prior estimates? A.—Well, I think it was included there so as to try and get it through in that one.

Q.—I beg your pardon? A.—Well, I think it was included in that one—it was included in the estimate in order to get it through in that way, and instead of putting through an extra work bill for all those fifteen times it was repaired it was put in as an estimate. Instead of putting it in as force account it was put in as a new bridge, so as not to attract attention to it.

Q.—Now, if it were put in an extra work account you would have to have had the bills for it? A.—Yes.

Q.—In detail? A.—Yes.

Q.—And it went through as what instead? A.—Just as a total sum estimate, as any bridge would go in.

Q.—Yes. What was the reason for withholding that back during all the months that these different renewals and repairs were carried out in, do you know? A.—Well, I asked Mr. P. Welch's office and Mr. Callaghan several times about getting that cleaned up, and I asked Mr. P. Welch to submit bills for that work, because sometimes P. Welch would repair it and I would not hear about it. I asked Mr. Callaghan several times to get it cleaned up, but there was nothing done about it till this particular time when the estimate went through. We had no check on the amount particularly, because except in a few cases we had no man over there to do the work, and we just had to take P. Welch's figures of what he gave us.

Q.—Had any sums been put through showing the cost of the road? I mean the first cost of the road which included the actual maintenance and upkeep of the road being operated by P. Welch? A.—Well, there have been thousands of dollars put through for work performed on it after operation.

Q.—Was that construction-work as Mr. Maclean suggested? Was it performed after the road was in operation by P. Welch under his contract with the Pacific Great Eastern, or was it maintenance of originally constructed work? A.—Well, it was maintenance. I would not say in regard to the slide country, or anything about the slides, because I have never been up in that country to see them. A large quantity of it was for slides, but I know in regard to the bridges there were some washouts. There were some washed out that were supposed to have been permanent work in the first place, but when those bridges were washed out, I think they should have been charged up as maintenance.

The Chairman: And you charged them up as original construction? A.—Yes.

Mr. Taylor: It was charged up as original cost? A.—Yes. Take, for instance, the Capilano Bridge. That is a glaring example, of course.

The Chairman: Now, had this piece of road been declared completed at this time? A.—Yes, it was accepted by the Government, I think.

Mr. Taylor: It was on the records. There was a certificate granted by the Minister of Railways for the operation of the road.

The Chairman: Well, once it was granted it would be law.

Mr. Taylor: Yes; and those papers are on file if we want them. I will pass now to the question of ballasting and surfacing. You have heard that discussed as \$61,000 at the time Mr. Tate took it up. We know all about the amendments and that kind of thing. Now, have you anything to say in addition on that subject? A.—No. I took it up in the first place myself. I mentioned it to Mr. Callaghan, and he told me that I did not know what I was talking about; and I think one day when Mr. Thomas was in the office I mentioned it to him, and I think that is the reason he called attention to this letter that he wrote in the first place, but I am not sure of that.

Q.—We will pass now to the question of ties. What have you to say about the use of ties culled and not paid for to the tie-maker being used upon the grade? A.—Well, of course, I cannot say anything definitely as to that. I have never been over it, and I don't know what ties have been put in actually.

Q.—Just say what you do know from your position as head clerk and as an employee in the office in Vancouver? A.—I know all ties estimated to the Company were paid for at 50 cents a tie irrespective of whether they were No. 1's or No. 2's. We paid for them at the flat rate of 50 cents a tie.

Q.—But you cannot say to what extent any culls have been used in the road? A.—No, except from hearsay.

Q.—Did you call for or get any reports along that line from the engineers in the field? That would be a duty, I think, of a chief engineer? A.—Well, there are reports there from Mr. Crysdale on the ties, giving estimates from each tie contractor.

The Chairman: Did Mr. Stoner put in his statement about those ties?

Mr. Taylor: No, there is no information given to this Committee on that; and it is no good to the Committee the shape it is in.

Witness: There ought to be statements put in.

Mr. Stoner: I did not make it up myself.

Mr. Taylor: What is that?

Witness: There are statements, I am sure.

Mr. Taylor: Have you any data from your men in the field showing the culls that were used in the road-bed? For instance, you pay for ties each and every month, so you ought to know what kind of ties were put in the road-bed and how many, and whether they would be No. 1's, 2's, or culls? Did the chief engineer's office require any such data being furnished them before paying for ties? A.—No; I think it was arranged with regard to that, but I cannot speak definitely, only from what I believe that there was some settlement come to. I believe it was arranged in this way: There was a certain percentage of culls, which I do not think were used in the first place, and Mr. Callaghan and Mr. Crysdale arranged between themselves just what they would settle for; but I understood that all the ties were taken over and settled for, and that there were practically no ties not used and not accepted by the Company. I understood that practically all the ties on the line were taken over at 50 cents a tie.

Mr. Maclean: Well, we have just had an example from the last witness where that was not done.

Witness: Well, I am only speaking from hearsay on that.

Mr. Taylor: You have Mr. Callaghan's own admission.

Mr. Maclean: He just said there were some of those culls used.

Mr. Taylor: It just shows the position I take. Speaking of Exhibit 74, the revised specifications of the timber structures—they were revised on a certain date—I think it is December 1st, 1913, speaking from memory; we had just better check that up—

Mr. Maclean: Exhibit 74?

Mr. Taylor: They were revised December 1st, 1913. Now you have those in mind? A.—Yes.

Q.—You heard Mr. Callaghan say that they were never used, and never intended to be used, and were never intended to be issued to the main contractor, and it was an accident, and the letters sending them out to the engineers were an accident, and anything which had been given to P. Welch, the main contractor, was an accident, and Mr. Welch's referring to them in his letter was also an accident. Now, what have you to say as to those particular specifications being the official specifications of your office or not? A.—Well, I did not know that they were an accident until I heard Mr. Callaghan say so here.

Q.—Were they in use in your head office? A.—Yes, they were always in use, as far as I was concerned.

Q.—Were they followed or not in making up your estimates? A.—They were to a great extent, yes.

The Chairman: To a certain extent; what do you mean by that? A.—Well, I am not in a position to say. I was not out building the bridge, and I did not know whether they were or not, you see.

Mr. Taylor: I see they prohibit the payment of teaming, and still it was paid for; and they prohibit the payment of false-work, and still it was paid for; and I see that they require that

only bridges shall be paid for according to the material that is in the bridge, and not so as to include this 433,000 which was extra timber paid to P. Welch. Now, those are the three things that we have contested in this investigation as to Exhibit 74. It prohibits the doing of those three things, and they were done, or partially done, as to the timber, because we have heard Mr. Grabble say that he did follow the mandate of that specification; that is, the spirit of it rather, and he did not allow for this extra timber on the bridge north of Clinton. Those are the respects in which it was not followed. Now, do you know why it was not followed in those respects? A.—Do I?

Q.—Yes. A.—Well, I didn't just get the question.

Q.—Do you know why teaming was paid for when Exhibit 74 says it should not be paid for, and why false-work was paid for when Exhibit 74 says it should not be? A.—The false-work was paid for because Mr. Callaghan ordered it.

Q.—And do you know why it was paid for? A.—No—that teaming in the specifications—I never interpreted it to mean overhaul. I thought it meant the teaming around the structure.

Q.—Now, what was the practice in paying for rails when they were overweight to P. Welch? A.—The specifications called for a limit of $\frac{1}{2}$ of 1 per cent. of the calculated weight either way, and there was considerable overweight on delivery up to the time the work stopped, or until we opened in 1916 again, and there was considerable underweight from 1916 on.

Q.—Yes. A.—I took that up with Mr. Thomas and with Mr. White, and I think the letter had been filed with regard to it. And before I left the office, Mr. White—I think, just shortly before, just a couple of weeks before that—said if I would make out a statement showing the actual amount it would be settled. He would give a credit for it, or get a credit for it in our favour for whatever the difference was. Then when I left the office I mentioned it to Mr. Anderson as a matter of course, as there were a few things to follow up in that way, and he was to take the matter up with P. Welch. He had agreed to make a refund. Then when I asked Mr. Anderson in conversation about it later if it was done, he told me Mr. Callaghan had instructed him not to bother with it, he had seen Mr. Welch himself.

Q.—Mr. Anderson said that? A.—Yes.

Q.—And that is a correct statement? A.—Yes.

Mr. Anderson: Yes, it is.

Mr. Taylor: And that it is correct that Mr. Callaghan did say that to you?

Mr. Anderson: Yes.

Mr. Taylor: And how large an item would that be—the underweight? A.—I don't know. It would be, I think, a few thousand dollars. I don't know exactly.

Q.—Now as to the questions that were asked on the floor of the House by Mr. Fraser, M.P.P., of Cariboo, in the last Legislature—not the present one—but of 1916; I read about thirty-two or thirty-three questions here that were asked on that occasion. Have you any knowledge of how those questions were answered or who answered them? A.—Mr. Gamble sent a list of those questions to Mr. Callaghan, over to our office, and Mr. Callaghan made out the reply, and answered all the questions, I think, in one paragraph.

Q.—You have read that paragraph on page 118 of Exhibit 66, haven't you? A.—Well, I saw it reported in the paper later on, and it was perfectly identical with our letter.

Q.—And you have seen it as reported in this exhibit too? A.—Yes, I have noticed it there.

Q.—And you say those answers to those questions were prepared by Mr. Callaghan in your office, although it is put here as an answer of the Honourable Minister of Railways, then the Honourable Mr. Taylor? A.—Yes, that is practically embodied in Mr. Callaghan's letter. I did not read this over, as a matter of fact, as it is here, but I had read it over in the paper, and it is much the same.

Q.—But from recollection you think it is much the same? A.—Yes; I think the phrasing is identical in some cases.

Q.—I want you finally to tell us why you left the employ of Mr. Callaghan, the chief engineer's office of the P.C.E. Railway. Just go into that in detail as fully as you like. A.—Well, the real start of it was a personal matter. I had some real-estate dealing with Mr. Callaghan, and there was a payment due by me to him.

Mr. Maclean: What is that? A.—I had a real-estate deal on with Mr. Callaghan, and the payment was overdue, but I was trying to make the payment to him.

Mr. Taylor: Where was this real-estate located? A.—Up in the Peace River country.

Q.—And where was it in regard to the proposed P.G.E.? A.—At the Swan Lake townsite.

Q.—The terminus which was proposed for the Peace River country? A.—Yes.

Q.—How many acres had you purchased from Mr. Callaghan there? A.—One section of 640 acres.

Q.—And did you learn from Mr. Callaghan how he got this acreage at the terminus of the P.G.E. Railway? A.—Well, he had bought a considerable acreage there at this point, and he recommended me to get it as a good investment, of course.

Q.—Now, you had a payment coming due to him, and what happened? A.—It was not coming due, it was overdue. I paid \$1,600 cash in the first place; I really did not want the whole section at that time; I simply wanted to get title for the half-section; but he and Mr. Cromie, who was in that office, said that could not be done, and said if I paid the \$1,600 in the first place they would give me title—

Q.—Who is Mr. Cromie? A.—He was the chief clerk in Foley, Welch & Stewart's office.

Q.—All right, proceed. A.—And I promised to make a payment about December 1st, I think it was.

Q.—What year? A.—Last December.

Q.—1916? A.—Yes. I was endeavouring at that time to put through another deal—or put through some business of mine to raise the money, as I had promised to pay them \$400 on this, so I was putting through a deal to raise that money; and as a matter of fact, I had got \$420 on this particular deal—

Q.—What kind of a deal were you putting through—a sale or a mortgage? A.—A mortgage on some private property.

Q.—Yes. To raise this money to pay Mr. Callaghan? A.—Yes.

Q.—Go ahead. A.—And about December 1st Cromie started to push pretty hard for it, and amongst other things he told me that Mr. Welch wanted it in a week's time. He said that he was awfully rushed on this P.G.E. It was reported at that time that the contract was let to P. Welch, and it was about the 3rd or 4th or 5th of the month, I think, when Mr. Callaghan asked me when I could pay him the actual money, and I told him I was making an arrangement for it, and practically had the money then; but I found out the reason afterwards why I did not get it actually on time, because the man who was putting it up was in Portland, and his agent here was not able to sign a cheque until he got back. Anyway, I gave Mr. Callaghan a cheque a day ahead, and I promised to make the \$400 payment on it; and I think it was two days after that, or three, that I got the payment—it was the following day I got a payment of \$200 from this party, and the following day I got a payment of \$220, making up the \$420 altogether. As a matter of fact I did all this through my lawyers in Vancouver, and I told them at the time I wanted this immediately, because I had promised to make a payment on a certain date, and I wanted it put through punctually, and they knew that I wanted this money to meet the payment due to Mr. Callaghan. I saw Mr. Callaghan on the 7th, I think it was—it was the day that I left—and he accused me, amongst other things, of practically everything, I guess, that could be put in a book, that I could be charged with—of not taking care of the work; and I asked him if the real reason why I was being let out was because I had given him this cheque which had not been met, and he said no, that was not it; but he said that the real reason was because I had not looked after his work properly and had practically built the line myself on my own authority. That is the way he put it.

Q.—Had he ever complained to you of your work before this? A.—Well, for a long time, I think it was a continual complaint to everybody.

Q.—To every person? A.—Of every person connected with the work.

Q.—Had he complained of your work more than that of any other of the staff? A.—I don't think so, no.

Q.—Is that a full statement as far as you know? A.—Why, it is not full by any means; I guess you could fill two or three pages with it if you went into details, but that nearly covers it. I was speaking to Mr. Davis, and he said Mr. Welch did not want to bring in his personal affairs, and I have personal affairs I don't want to bring into this.

Q.—You have admitted that you were discharged, anyway; that is all, thank you. Now, I thought we could finish up the whole investigation if you go on now, Mr. Maclean, with this witness. I think that Mr. P. Welch and Mr. Gamble will finish up the investigation to-morrow.

Mr. Maclean: Well, Mr. Callaghan did complain of your work, didn't he? A.—He complained of everybody's work.

Q.—I am talking of your work? A.—Yes, he complained about it.

Q.—In what respect did he complain of your work? A.—You mean at which time—on any occasion?

Q.—Yes. A.—Well, it was when I left the work that day that he complained.

Q.—Yes; what did he say? A.—Oh, there were one or two things that he complained of. He said that I had kept the estimates from him for over a period of five years and had never let him see them.

Q.—The estimates? A.—Yes; and I had signed pay-rolls without authority, and he did not know what was being done; and I simply did it so that the men would not be kept waiting for their pay.

Q.—You did sign his name pretty freely, didn't you? A.—Yes.

Q.—Even in the matter of supplies you signed his name, didn't you—just as an example of this? A.—Just wait a minute.

Q.—For instance, here is a letter— A.—Well, let me explain.

Mr. Taylor: Let Mr. Maclean produce his letter, and then you can answer him, because he may decide not to produce it.

Mr. Maclean: You signed orders for cigarettes and things like that; didn't you sign his name to that? A.—Certainly.

Q.—What were they for? A.—Well, they were personal goods that were bought for the men in the office. The men used to buy tobacco from the wholesale.

Q.—Well, take, for instance—that is your signature (indicating document)? A.—Yes.

Mr. Taylor: What is that for?

Mr. Maclean: That is an order signed by John Callaghan for 500 cigarettes. Did you get those goods yourself?

Mr. Pooley: What date is it?

Mr. Maclean: 2nd March, 1917.

The Chairman: For cigarettes?

Mr. Maclean: Yes. Did you get them? A.—I think so. I think they came to the office.

Q.—You got them, and I suppose smoked them? A.—No, I didn't smoke them.

Q.—What did you do with them? A.—Those were not for me; they were for Mr. Stewart.

Q.—They were charged up to the Company, though? A.—They were in a kind of a way, yes.

Q.—In what kind of a way were they charged up? A.—Well, just a minute. I knew that was coming. I was informed of the fact that it was coming up.

Q.—Then you were well prepared for it. A.—Now, for a period of four or five years, when any of the boys wanted tobacco in the office, I was in the habit, for a long time there, of giving a monthly order to Kelly, Douglas & Company for the stuff, and we would get it at wholesale price, and it usually ran \$20, \$30, \$40, or sometimes \$50 a month. We did not always give orders, but latterly I gave the order, taking the responsibility on myself for it. As a matter of fact, I could have asked Kelly-Douglas to send up a shipload of those cigarettes and they would have done it; but, as a matter of record, I gave orders for them, and I gave orders also for Mr. Callaghan's personal goods himself.

Q.—Well, you got those goods?

Mr. Taylor: Just let him explain.

Witness: There is a balance, I think, of \$43 due them for those cigarettes. I found that out after I left the work in December. As a matter of fact, those goods were not for myself; they were for other men in the office, but I was really responsible for them. Those men are at the front now, and it is hardly worth while mentioning any names, but I had forgotten all about this balance that was outstanding until after I left the office. Then I went down one day and asked Kelly-Douglas about it. I asked them how much they had in the books against any one for personal accounts in the office and for anything that is outstanding at all along that line.

Mr. Maclean: I want you to tell me whether you got these.

Mr. Taylor: Let him explain—just let him finish.

Witness: They got the goods in the first place, about \$150; when I went down to Kelly-Douglas's they fixed the amount at \$150, and then they found a lot of P. Welch's stuff was in that—some of it which was got for P. Welch. The accountant or the book-keeper and myself

separated those accounts, and we got the amount finally down to \$42 or \$43. That was the balance, I think—yes, \$43. He did not have the invoices there with him at that time. He simply took them out of his ledger, and I told him I was responsible for that stuff, and I would pay for it if he would send me a bill of it. He got up a statement of it, and apparently sent those bills to Mr. Callaghan's office. Mr. Callaghan got them in some way, I suppose, and he wrote a letter to Kelly, Douglas & Company. I heard indirectly that Kelly-Douglas had taken it up with him, and instead of sending me the bills direct they sent them to Mr. Callaghan's office; and when I heard that, I went down and saw Mr. McDonald and asked him for a copy of those bills. I told him that this stuff was for the men who had left the service of the Company, and that they were really responsible for it; but if he gave me the bills I would send them on to the front to the boys who were responsible, and I would wait for six weeks until I got replies, and if they did not pay up I would pay; and he said, "I think we might potlatch the whole thing"; and he said, "Go and see Mr. McWilliams about it."

Q.—He is in Kelly-Douglas's employ? A.—Yes. So I saw Mr. McWilliams and he offered to give me all this file of bills. He said, "You had better take it along with you." He said, "I will keep this on my desk until I hear from you."

Q.—Well, these goods were obtained in January, 1916, weren't they? A.—I don't think so.

Q.—Well, was it before that—just look at the bill? A.—Oh, these were, yes.

Mr. Taylor: These being what?

Mr. Maclean: There is a lot of stuff in here, including these cigarettes. The cigarettes are March 2nd, 1916, and the other stuff is January 6th, 1916. These are bills, though, ordered before that. That is not what I was coming to. Well, what I want to know now is, have these been paid for? A.—These have, yes. But there is still a balance, I believe, of \$42 standing there.

Mr. Taylor: That is a misleading way you have put it, "These are only a part of a big bunch of bills you have there."

Mr. Maclean: Yes, but they are included in that large bill.

The Secretary: Are you going to put them in as an exhibit?

Mr. Maclean: Yes, I am going to put them in as an exhibit.

(Bills marked as "Exhibit 151.")

Mr. Maclean: We will put them all in.

Mr. Taylor: That will mix in well with ties and bridge-timbers.

Mr. Maclean: I suppose you are a smoker. Now, there is just another little matter—

Mr. Pooley: Just a minute; what is this exhibit?

The Secretary: Exhibit 151.

Mr. Pooley: Well, one is dated January 16th, 1915, and it has, among other things, consignments of jams, pickles, pork and beans, and so forth; who were those goods supplied to? A.—To Mr. Stewart.

Q.—He got them all, did he? A.—Yes.

Q.—What Mr. Stewart was that? A.—He was the works engineer there.

Mr. Taylor: Is he related to Mr. J. W. Stewart? A.—No.

Mr. Pooley: Did he get all the rest there—the tobacco? A.—Well, he got those cigarettes.

Q.—Nobody else smoked them at all? A.—Oh, I might have smoked a few of them on odd occasions.

Q.—But you never got any of the items contained on sheet 6—any of the jams, for instance? A.—Well, I think there was a tin of tobacco that I got.

Q.—The 1-lb. tin of tobacco? A.—Yes, I got that.

Mr. Taylor: What is the value of that?

Mr. Pooley: There is no value on it.

Witness: \$1.50, I think.

The Secretary: I think this is really a waste of time.

Mr. Hall: Was it charged to the Company?

Mr. Maclean: Charged to the Company.

Mr. Hall: Was it debited to the men afterwards who received it?

Witness: There was no charge made to the Company for it. As you will notice on those orders, they run in consecutive order. All those orders run in A's and they never went through our books; any personal orders that were given were ordered under the "A" number and never

went through the Company's books at all. For instance, when Mr. Callaghan would buy boots they would go through the same way.

Mr. Taylor: The reason for that was so that they could get the wholesale price? A.—Yes.

Mr. Taylor: As a matter of fact, the clerks in the wholesale houses get all their own goods by putting it through in this way with the wholesale firms.

Witness: If I had wished, I could have got all my own things done in that way.

Mr. Shatford: Well, I suppose the Company was responsible? A.—Yes.

Mr. Maclean: Did they know who you were? A.—I suppose so; I had been with them for five years.

Q.—Well, that is very strange.

Mr. Hall: I beg your pardon, do you suggest these accounts were paid by the Company?

Mr. Maclean: They were charged to the Company.

Mr. Hall: But they were not charged to the Company. Do you suggest that these amounts were paid by the Company?

Mr. Maclean: No.

The Chairman: Well, why do you bring them here?

Mr. Maclean: Because the bills were sent to the Company, and it was only when Mr. Callaghan went down to Kelly-Douglas's that they found out, as I understand it, that this witness here was not Mr. Callaghan.

Witness: Oh, rubbish. Talk sense. Hasn't Mr. McDonald rung me up on the phone for the last five years every week, and he knows who I am, all right.

Mr. Maclean: I think it was Mr. McWilliams who said he thought you were Mr. Callaghan? A.—Well, I did not know Mr. McWilliams until Mr. McDonald introduced me to him.

Q.—Well, Mr. McWilliams apparently thought you were Mr. Callaghan? A.—He offered to give me that whole file and bring it along with me, but I said, "You had better keep your orders on it."

Mr. Taylor: Get into hard-pan out of mud.

Mr. Maclean: Well, if you are responsible for this, how is it now that they are holding the Company responsible? A.—They are not that I know of.

Q.—I tell you they are. A.—The last time I saw them they stated everything was satisfactory. As a matter of fact, Mr. Callaghan heard about this, and he just simply wanted to make a little capital out of it to discredit me, so he went down to Kelly-Douglas and got the bills.

Mr. Hanes: I think, Mr. Chairman, you ought to increase the classification so that the fellows who ordered them would break even.

Mr. Yorston: Yes, I think we can take up matters which are more important.

Mr. Maclean: It is just a question of how he signed Mr. Callaghan's name.

Witness: Well, I signed for the things that he used personally as well.

Q.—And a great many of the letters we have here were signed by you—you signed Mr. Callaghan's name to them? A.—Yes.

Mr. Shatford: Did you have Mr. Callaghan's instructions to sign his name to them? A.—Certainly.

Mr. Taylor: There are a lot of them which are filed here which show on them, "Dict. H."

Mr. Maclean: Now, with regard to that Culliton Bros. matter, did Mr. Callaghan ever take the position that he should not allow P. Welch for the merchantable lengths he paid for? A.—Yes, he took that position.

Q.—Eh! A.—He took that position.

Q.—That he should allow him? A.—That he should not allow him.

Q.—When did he take that position? A.—He finally took it when we compiled the final estimates of Culliton and P. Welch, and we found that difference was allowed. Of course, he knew about it before, but that is when the matter came up finally, and he said then that he never had intended for anything of the kind to take place. He did not know the amount was going to be so high. He said that when he instructed Mr. Crysdale in that connection, he thought it was just for a few thousand feet, and he told me to bring Mr. Crysdale to the office, and he would talk it over with him. Mr. Crysdale was in uniform then, and he came over to the office and spoke to Mr. Callaghan. Mr. Callaghan told Mr. Crysdale then that he had no intention that this should run so high, and when he gave him the instructions to pay the difference he was computing it in some certain way. Then after that he gave Mr. Stewart

instructions to get out bills of the materials and to cut them down, and he also gave the instructions to the other clerk in the office, and they worked on this for two or three weeks. The net result of all this work was he got it reduced about 10,000 feet, and I reported this matter to Mr. Callaghan, and he said then it was not worth touching, it would be just as well to let the whole thing go.

Q.—And what did it go through as? A.—Well, it went through the way it was.

Q.—At 500,000? A.—Well, I don't know the actual figures.

Q.—Well, did you hear that letter read stating that the proper allowance would be to the nearest foot? A.—Yes, I think I did.

Q.—That Mr. Callaghan wrote? A.—Yes.

Q.—Well, was that the position he took when the matter came up? A.—I don't know.

Q.—Well, did you hear the discussion on it? A.—I don't remember that.

Q.—Well, do you say he ever took up a different position—that the proper allowance was to the nearest foot? A.—No, I don't remember him saying anything about that.

Q.—And then after that it was discovered that the merchantable lengths would not fit in with that; that the millmen charge only in multiples of two, and therefore it was allowed in multiples of two? A.—I don't remember the point of discussion at all, because there were so many things coming up at the time. I don't remember it.

Q.—Well, are you prepared to say that is not what took place with regard to the adjustment? A.—How do you mean—the adjustment?

Q.—The adjustment first of all according to the instructions that they were to allow to the nearest foot; and then after that it was discovered that the millmen sold these pieces of lumber only in multiples of two, so it finally went through in that way. That is, if the man had to put in the bridge a stick 20 feet 3 inches long, Mr. Welch had to buy a stick 22 feet long. That the nearest foot would only give 21? A.—I don't know. I don't know what they delivered.

Q.—You don't know anything about that? A.—No.

Q.—Now, who prepared these estimates from month to month that were submitted to Mr. Callaghan? A.—Which ones do you mean? The details were prepared in the field by the field engineer, and the summarizing in our own office.

Q.—Well, who did the summarizing in your office? A.—I did.

Q.—And Mr. Callaghan would have nothing to do with that? A.—No.

Q.—It would not come before him until he was presented with the estimate sheet? A.—Oh, yes; and if there was anything unusual in the estimate I would bring that to his attention.

Q.—Well, unless you brought it specially to his attention, the sheet would be simply laid before him and signed just in the usual routine way? A.—Yes.

Q.—Now, on how many occasions do you say you brought before him the fact that you had in those sheets an allowance for those crib foundations, allowed for as wet foundations instead of dry? A.—Well, I took that up with him two or three times. Particularly one time I remember saying to him that I was surprised that Mr. Gamble had not made some remark about it before.

Q.—Is that the Merriam case? A.—That is section 3. That is where the moat was.

Q.—What time was that? A.—That was some time in May or June.

Q.—And that was the time you say changes were made to and fro? A.—Yes.

Q.—Do you remember any other occasion when you took it up with him? A.—No, I could not say.

Q.—You could not mention any other occasion? A.—Well, I know it was taken up at different times.

Q.—I want to know when, if you can say. A.—I took up things with him ever day—and that was three or four years ago, and I cannot remember the exact time.

Q.—Well, if you cannot remember any other occasion than one, say so. A.—Well, I cannot remember any other definite occasion, but I remember making that remark about it.

Q.—You say that was in 1914? A.—Some time about that.

Q.—Well, is that the only occasion that you have any distinct recollection of taking the matter up with Mr. Callaghan? A.—No; I took it up before with him.

Q.—Well, when? A.—Well, probably a month previous to that—or a month previous to that again. Those estimates were coming in, of course, each month and would be referred to him in the ordinary course.

Q.—And every occasion you took it up with him? A.—Well, I don't remember exactly just when I looked up the profiles, but I know I looked up the profile to see what this was supposed to be there.

Q.—Well, you knew then, didn't you, that you were allowing too much on the estimate sheet in respect of those crib foundations? A.—Certainly.

Q.—Well, did that strike you as being anything improper? A.—Certainly.

Q.—And you took it up with him, you say, on three or four occasions? A.—Yes.

Q.—When was the last occasion you did this? A.—The last occasion was when Mr. Merriam was in the office.

Q.—That was that time in 1914? A.—Yes, that was the time.

Q.—And it was never taken up by you with Mr. Callaghan after that? A.—No, I don't think so.

Q.—And how many estimates went through in which the same matter appeared after that, or where they carried it right through after that? A.—Oh, the bulk of that was done in the fall of 1914, of that work; and there was no further work allowed of that nature after that.

Q.—After 1914 you mean? A.—I think it was 1914.

Q.—Then you say it all occurred before what time in 1914? A.—Practically about the end of 1914 I think the last one would be.

Q.—And you will look up those sheets, will you, and find those changes you refer to? A.—Well, it will take some time to look them up, but I will look them up for you and see if I can get them here to-morrow.

Mr. Taylor: I understand that they are here already, Mr. Maclean. You can find them among the papers that are here.

Mr. Maclean: Now, in connection with the timber structure specifications, was it your idea that this timber should be hauled in some cases a distance of 100 miles, and that there would be nothing allowed to P. Welch for that hauling? A.—No; I thought that they would get \$1 a ton a mile for the four-mile freight-haul.

Q.—You thought he was entitled to that? A.—Yes.

Q.—What did you think entitled him to that? A.—The general practice.

Q.—I beg your pardon? A.—The general specifications said so, and the other specifications did not contradict it in my understanding.

Q.—And you would consider it proper, then, to allow that hauling estimate? A.—I think so, yes.

Q.—And you would also consider it proper to allow the false-work? A.—No.

Q.—Because the false-work would be embraced in that general specification? A.—Well, the specifications dealing with the timber structures deal particularly with the false-work, and it says it shall not be paid for.

Q.—I beg your pardon? A.—It says it is not to be paid for.

Q.—Well, it says the teaming is not to be paid for also? A.—Well, I did not understand it to mean that. I simply understood it to mean the teaming around the bridge-site, and not for this long distance of mileage.

Q.—Well, it is a matter of discretion the way you construe those specifications, isn't it? A.—No.

Q.—My learned friend thinks no hauling should be allowed. You don't agree with him there? A.—No, I don't agree with him in that.

Q.—You think the hauling should be allowed, but the false-work should not be allowed; that is your view? A.—Yes, certainly.

Q.—And supposing that Mr. Callaghan thinks they should both be allowed, what do you say as to that? A.—Well, I think the specification is quite specific on the false-work. But with regard to the teaming, I don't see how that could be termed overhaul, because the overhaul in the specifications is always referred to as overhaul, and means hauling for a distance; but when you talk of teaming it is just teaming around the bridge-site, and it is just a small matter and could not be compared to overhaul at all.

Q.—Well, if he did team that stuff 100 miles, you think he should be allowed for it as overhaul? A.—Yes.

Mr. Taylor: I think you misunderstood me, Mr. Maclean. I might not have made myself clear. I say that that would come under a specific item, that kind of teaming. There is no question about that particular item. There is something here about overhaul per ton a mile.

The Secretary: What exhibit is that?

Mr. Taylor: "Overhaul on construction material (four miles free haul), per ton per mile, \$1." That is in Exhibit 3 in the list of prices. "Four miles free haul per ton per mile, \$1," and as I understand it the teaming is something apart from that.

Mr. Hall: Under the four miles?

Witness: Yes.

Q.—That would be teaming? A.—Yes.

Mr. Maclean: Now, how much was allowed for teaming? A.—I don't know.

Q.—Now, was it allowed for under that clause that my learned friend has just read?
A.—I don't know whether it was or not.

Q.—Had you any experience in railroad-work before you went into the employ of the P.G.E.?
A.—I was with the Grand Trunk Pacific for two years. Mr. Callaghan brought me down here.

Q.—Well, do they have any adjustment of classification such as took place on this railway?

A.—Not that I know of.

Q.—And what sort of work were you engaged on there? A.—Similar work to this, only I did not have charge of the office there. I was compiling those estimates, but at that time I would not have sufficient knowledge of the work to be in charge.

Q.—Or to know what was being done? A.—Or to know why it was being done.

Q.—What time do you say it was that Mr. Callaghan ordered those estimates to be put back to the wet foundations? A.—Oh, I don't know; it was some time in 1914. It was the time when the foundations, if I remember correctly, in section 3—when the foundation-work was about 30,000 yards—29,000 or 30,000-odd.

Q.—And was anybody else present at that time? A.—How do you mean?

Q.—At the time he gave those instructions? A.—Well, Mr. Merriam was there. He knows about it.

Q.—Any one else? A.—Not that I know of.

Q.—Where is Mr. Merriam now? A.—I don't know. He was the divisional engineer. Then there was Mr. Thomas who I think would remember it. He was the clerk who was drawing it up and doing the compiling of it, and he had to wait for Mr. Merriam to finish his work. He was held up for a short time during the time that Mr. Merriam was reclassifying this material.

Mr. Pooley: What Mr. Thomas? A.—He was a clerk in my office at the time.

Mr. Maclean: And where is Mr. Thomas now? A.—I think he is at Penticton now, on the C.P.R.—somewhere in the Kettle River Valley.

Q.—Did you help Mr. Callaghan to make out the answers that are set out in Exhibit 66?
A.—No.

Q.—Were those questions properly answered, as far as you know? A.—I think they were. I did not know much about it. As a matter of fact, as I remember it, one of the questions was as to who paid Mr. Gamble's expenses there, and I think there were some questions asked about that. But otherwise, as regards the expenses of the trip, I think it is all right. I think that there was only one irregular thing that I remember, which was that he paid Mr. Gamble's expenses up there—or there was a question asked about it, as I remember.

Q.—Well, do you know in any respect whether the answers given by Mr. Callaghan to those questions were incorrect or improper? A.—No, I don't know.

Q.—That letter sending out those timber specifications, although apparently signed by Callaghan, was signed by you as a matter of fact, wasn't it? A.—Yes.

Q.—You remember the letter sending them out? A.—Yes.

Q.—And I suppose you did that just in the same manner which you did other things, in the ordinary routine way in the office? A.—Yes.

Q.—Without submission to Mr. Callaghan? A.—The specifications would be submitted to him in the first place. I would have them printed on his authority originally. As a matter of fact, Mr. Callaghan wrote most of them out in his own handwriting, and any that were not, I do not think I would have them printed, or anything done with them. I would have his authority to have them printed first before sending them out.

Q.—Were those specifications got up by Mr. Stewart? A.—He compiled them.

Q.—And do you say you got definite instructions from Mr. Callaghan to print them?
A.—Well, I must have got them. I was not taking any instructions from Mr. Stewart, and I would not print anything that he had compiled without putting it up to Mr. Callaghan first and getting his instructions.

Q.—You would not? A.—No. I have no recollection of it—I have no distinct recollection of that at all.

Q.—You say you have no distinct recollection of doing it? A.—No. I know there was no departure from the usual system in the matter.

Mr. Taylor: I did not ask you about one subject-matter. I am instructed that quite a large sum of money was paid to P. Welch for freight on rails, for carrying rails on the railway-trains?
A.—There has been a large sum paid for freight between Squamish and Cheakamus. The rate was \$1.40, varying from \$1.40 to \$1.58, on track material and other things.

Q.—Was there any question ever raised as to whether that should be allowed P. Welch, under specification, Exhibit 4, which is the specification for track-laying? A.—Well, in the first place, I understood—and I think I got my instructions from Mr. Callaghan in respect to that—that P. Welch submitted a statement showing how he arrived at the cost, a schedule along with his bill showing how the cost was arrived at, and in that bill was included freight from Squamish to Cheakamus, and that was carried on right up to last year; and last year they presented a bill, or they were going to present it, and Mr. White spoke to me about it, saying, I think, that they wanted to get the freight for hauling from Squamish to Clinton paid; and I took it up with Mr. Callaghan, and he said no, no such thing was intended; it was never intended that we were to pay the freights over the whole line at all for hauling that material; and he asked me if it were charged anywhere else, and I said yes, from Cheakamus to Squamish, and he said it should never have been done.

Q.—What did it amount to, approximately? A.—Well, there were about 100 tons to the mile altogether.

Q.—And was it paid? A.—No, it was not allowed.

Q.—Just figure in your mind and tell me, roughly, the amount that has to be returned in dollars for that item? A.—I think it is somewhere around \$20,000 or \$25,000.

Q.—As Mr. Callaghan agrees with the specifications, I need not read it. A.—According to you he agrees. I have never heard him say so himself.

The Chairman: Well, are we through now until the morning? We will meet to-morrow morning at 10 o'clock.

Mr. Taylor: I do not think there is any question but what we will get through to-morrow. I only intend to call Mr. Gamble and Mr. Welch. Mr. Gamble will be very short, I imagine, and I imagine Mr. Welch will be fairly short.

Mr. Maclean: We had better put Mr. Welch in first.

Mr. Taylor: If that is desired, I will put Mr. Welch in first. I would suggest, Mr. Chairman, if any other person desires to give evidence before this inquiry, that they should be there to-morrow morning; but I don't intend to call any person else, other than those two I have named.

The Chairman: Now, any one who wants to give evidence, and volunteers to come forward, we shall be glad to hear them.

Mr. Hall: But I take it that this inquiry cannot be closed until we get that summary?

Mr. Taylor: No. There will have to be another session after this, for the purpose of getting the summary and getting the books that Mr. Hanes has been dealing with this morning, and things of that sort; but I take it that will be a winding-up meeting.

The Chairman: Yes; and if the Committee decides they want further evidence they can call for it. This Committee will not be ready to make a report for at least another week, but I think it is just as well to announce at this stage, if there is any one wants to come forward and give evidence, now is the time to do so at to-morrow morning's session.

Mr. Taylor: I would suggest that the gentlemen of the press announce that in the paper, and give it public notice.

Mr. Hanes: Well, at the commencement of this inquiry we had asked for the production of the minute-book of the minutes of the directors of the Pacific Great Eastern Railway Company and of the Development Company, and I would ask that those be produced.

The Chairman: Well, we can get that in the morning.

Session adjourned at 2 p.m. till 10 a.m., Friday, March 30th, 1917.

SEVENTEENTH SESSION.

FRIDAY, March 30th, 1917.

Meeting called to order at 10 a.m.

Mr. Taylor: Mr. Chairman, I will recall Mr. Callaghan. Just stand there, Mr. Callaghan. Mr. Callaghan, this volume being a report of the evidence, pages 303 to 641, both inclusive, you have read. A.—Yes.

Q.—You have read the transcript of your evidence and corrected it in part? A.—Yes.

Q.—And you noticed the corrections that I have made? A.—Yes.

Q.—Is it, as far as you can see, a correct report, as it stands, of your testimony? A.—I think so, substantially.

Mr. Taylor: Yes. Mr. Chairman, I hand you this volume, which contains the report with these corrections, as I said, and like the last one, I do not wish to have anything more to do with it.

The Secretary: Is that for the printer?

Mr. Taylor: That is the report to the Legislature and for the printer, and it is so marked. Mr. Callaghan has also produced several documents this morning that I wish to file.

The Chairman: That evidence is now passed.

Mr. Taylor: Yes.

The Chairman: You had better make a motion, as in the other case.

Mr. Taylor: Yes, I will do that.

The Chairman: The rest will not be in shape for some days, I suppose; better make a motion similar to the other one, that this evidence be returned to the House and be printed.

Mr. Yorston moved to that effect.

Mr. Pooley seconded. Carried.

Mr. Taylor: I file now, produced by Mr. Callaghan, a letter which is dated July 7th, 1914, apparently a copy of a letter written by A. E. Griffin & Co.; a letter written both by Corrigan and Griffin, J. Emmons & Co., Byrne & Duffy, J. B. Morton & Co. That will be exhibit what?

The Secretary: 152.

Mr. Taylor: July 7th, 1914, written by A. E. Griffin & Co., contractors:—

"A. E. Griffin & Co., Railway Contractors. End of Steel P.O., G.T.P. West, B.C., July 7th, 1914. File 272. Circular letter No. 37. Corrigan & Griffin, Mile 35. J. Emmons & Co., Mile 43. Byrne & Duffy, Mile 46. J. B. Morton & Co., Mile 61.

"GENTLEMEN,—I have had a talk with Mr. Stewart, President, and Mr. Callaghan, Chief Engineer, of the P.G.E. Railway regarding classification. Mr. Callaghan agrees to classify hard clay cuts with a sufficient percentage of solid rock to enable stationmen to make wages, providing you raise the prices to station as follows:—

Earth	21 cents.
Hard-pan	30 cents.
Loose rock	33 cents.
Solid rock	80 cents.

"This refers to cuts in which you are to get a solid rock classification where there is no actual solid rock. In cuts about which there is no question as to the solid rock, stationmen are to be paid the original prices.

"Please make up an absolutely correct statement of each station gang showing their account, and present this to the Resident Engineer as each gang finishes, and arrange to raise your prices to the stationmen, providing he will meet you half-way by raising the classification enough to give the men \$2 per day or better for the time actually worked.

"I wish to impress upon you the necessity of making your statement correct, as I have given my word to Mr. Stewart and Mr. Callaghan that any statement we render the engineers would be absolutely correct. At the conclusion of the contract I will arrange to take care of you.—Yours truly, A.E.G./P. Copy to John Callaghan, Esq., Chief Engineer, P.G.E. Ry."

It is dictated, "A.E.G./P."; apparently signed "A. E. Griffin."

The Secretary: Who produced it?

Mr. Taylor: Mr. Callaghan produced it. Now let me produce a file of letters. Mr. Callaghan considers that it is not necessary for me to read them, but they are offered for the Committee to read, and they are intended to show what has been the position with regard to the stationmen and sub-contractors and contractors, and all the details in that connection.

I will file Mr. Callaghan's letter to P. Welch, April 13th, 1915, as Exhibit 153:—

"April 13th, 1915. P. Welch, Esq., Railway Contractor, Vancouver, B.C., Attention Mr. E. F. White.

"DEAR SIR,—Replying to yours of the 10th inst. *re* claim of F. Palillo & Co., stationmen under J. A. Welch, will say I do not know what notification J. A. Welch may have given to his stationmen, but I do know that both J. A. Welch and his walking-boss were advised in ample time that this was to be taken out as a tunnel, and long before the excavation complained of as being withheld from the estimate was made on the top of this cut. This was a most unworkmanlike thing to do—shooting that material from the top of the cut—and was unauthorized, and no payment will be made to J. A. Welch for the same. There can be no excuse for sending a gang of men to an elevation of about 100 feet above grade, and, as I understand, putting in a heavy shot and wasting a lot of material down into the lake, after they were ordered to take the work out as a tunnel; and even if nothing whatever had been said about a tunnel, this was not the place to start opening up the cut. The whole object seemed to be to get enough material wasted out of that cut under the pretence that they did not know it was going to be a tunnel, so as to be permitted to go on with it as a cut, and in this way a large amount of material could have been cheaply wasted by them.

"As to whether the stationmen were advised in regard to that work I do not know, but, as stated above, J. A. Welch's walking-boss knew all about it, and no payment will be made to him, and the time for him to think about keeping out of Court is before he starts anything like that.—Yours truly, J.C./S."

P. Welch's letter to John Callaghan, April 14th, 1915, as Exhibit 154:—

"Vancouver, B.C., April 14th, 1915. John Callaghan, Esq., Chief Engineer, P.G.E.R., Vancouver, B.C. Claim—Station Contract. F. Palillo & Co. under J. A. Welch, Contractor.

"Dear Sir,—Your letter of April 13th written in reply to our communication of April 10th has been received. We fail to find anything in our letter that would in any way excuse the answer you have given; we suggest that you might at least adhere to the questions at issue.

"We did not question the matter of instructions or non-instructions, nor did we ask for comments on the merits of J. A. Welch or Palillo & Company in handling this work. The fact remains that Palillo & Company allege they have not been paid for a certain quantity of rock moved by them, and are preparing to take the matter into Court if they cannot secure redress from this office; such procedure on their part would, of course, necessitate your appearance as a witness.

"You will please consider our letter of April 10th, yet unanswered, and favour us with complete returns as requested with the least possible delay.—Yours very truly, P. WELCH.
E.F.W./P.

"You will understand that the quantities you return to us are not to be considered as an estimate or binding upon the Railway Company; if we cannot adjust this matter with the claimants, this is one of the questions that would be decided by the Court."

April 10th, 1915, P. Welch to John Callaghan, Exhibit 155:—

"April 10th, 1915. John Callaghan, Esq., Chief Eng., P.G.E.R., Vancouver, B.C. Claim—Station Contract. F. Palillo & Company under J. A. Welch, Contractor.

"DEAR SIR,—F. Palillo & Company had a contract under J. A. Welch for grading—

Section L 0-00 L 11-00.

N 664 to N 666-33, Res. No. 16,

on Anderson Lake. Palillo & Company are making a claim for certain yardage which, they claim, was not allowed them.

"It is asserted that on that portion of the line covered by their work was a high rock bluff, and that they commenced work on this cut prior to the decision of your department to make this a tunnel instead of a cut. Their claim is for approximately 11,000 yards of solid rock taken out of this cut before notification of the change from cut to tunnel.

"In addition to this, we enclose a copy of a memorandum they have showing the quantities of the first estimate issued to them; this estimate, it is claimed, was issued to them in an unsealed envelope, afterwards recalled and another issued, cutting off about 3,000 yards of solid rock.

"It is Mr. Welch's special request to the writer that we secure this information at the earliest possible time. We think it is not necessary to explain that, for the present at least,

we do not care to have matters of this nature carried into Court.—Yours very truly, P. WELCH.
E.F.W./P.”

John Callaghan to C. R. Crysdale, October 14th, 1914, Exhibit 156:—

“October 14th, 1914. Mr. C. R. Crysdale, Division Engineer, Cheakamus, B.C.

“DEAR SIR.—Referring to September estimate for Res. 12: Please note I have transferred the items loose rock 145 c.y. and solid rock 822 c.y., appearing under ‘excavation cribbing in foundations,’ to loose rock and solid rock, grading quantities, respectively, making totals of the latter as follows:—

	This Total.	Last Total.	Estimate.
Loose rock	76,785	59,287	17,498
Solid rock	97,234	87,100	10,134

“According to our grading specification, ‘excavation of foundation-pits for log retaining-cribs other than those used for changing or deflecting the channels of streams’ would be included with ordinary grading items.—Yours truly, Chief Engineer.”

Mr. Callaghan desires that I leave this one, October 14th, 1914; I think a copy of it is already filed. “Referring to September estimate for Res. 12” (reading letter). And then Mr. Crysdale’s reply. Do you desire me to read that too?

The next letter, 12th November, 1914, C. R. Crysdale to John Callaghan, Exhibit 157:—

“Cheakamus, B.C., November 3rd, 1914. John Callaghan Esq., Chief Eng., Vancouver, B.C.

“DEAR SIR.—Attached herewith track-laying estimate month of October, also summaries Residencies 7 to 12, inclusive.

“Please note that a corrected and final estimate for Res. No. 10 was sent in by Mr. L. W. Railton, on 10th ult.

“With the exception of Res. No. 12, the bridging is all shown favour of P. Welch; this is in order to cover the timber in merchantable lengths. We are preparing an additional estimate showing the amount favour of Culliton Bros., but would call your attention to the fact that this is merely for the information of the P. Welch Vancouver office.

“You will note we have left the excavation in foundation on the grading estimate Res. No. 12 the same as my original September estimate, inasmuch as this excavation was done for a crib placed in the Green River to protect the bank.—Yours truly, (Signed) C. R. CRYSDALE, Division Engineer.”

September 2nd, 1913, John Callaghan to H. N. Merriam, Exhibit 158:—

“Vancouver, B.C., September 2nd, 1913. Mr. H. N. Merriam, Division Engineer, Lillooet, B.C.

“DEAR SIR,—With reference to the faulty crib-work which I pointed out to you on my recent trip along Seton Lake, you must understand that there is to be no payment made for this class of work, and none of it will be allowed to remain in place. You must see that any cribs that have not been built and properly notched according to the plans are removed, even if they are now filled. You should impress upon the engineers employed under you, and also upon the contractors, that this slovenly class of work will not be tolerated, and that no payment will be made for it. If you had done this at the outset, there would have been no necessity for rebuilding any of this work. The same rule holds true for all other classes of work; if the engineer in charge makes a determined effort to impress upon those who are actually performing the work that no payment will be made for an unworkmanlike job, then there will be none of this reckless kind of construction carried on.—Yours truly, (Signed) JNO. CALLAGHAN.”

John Callaghan to H. N. Merriam, September 29th, 1913.

Mr. Maclean: That is Exhibit 158 you are reading now?

Mr. Taylor: No, the next one is 159.

Mr. Maclean: 2nd September, 1913?

Mr. Taylor: September 2nd is 158.

September 29th, 1913, John Callaghan to H. N. Merriam, Exhibit 159:—

“Vancouver, B.C., September 29th, 1913. Mr. H. N. Merriam, Division Engineer, Lillooet, B.C.

“DEAR SIR,—Replying to your letter of September 26th *re* estimating tunnel-work, if you will refer to my letter of September 11th you will see that the contract for tunnel-work is based on an area of 14.224 cu. yds. per lineal foot, and that any section required by our plans that is

more than this, you would estimate so many lineal feet of tunnel with an allowance of yardage, plus or minus, as the case might be.

"If you will turn to our tunnel plans you will see that in rock section we have on tangent, an area of 14.004 cu. yds.; on curves of 1° to 5° 30', 15.230 cu. yds.; on curves of 6° to 12°, 15.90 cu. yds.; and tunnels, timbered section, you have on tangent, an area of 17.523 cu. yds.; on curves 1° to 5° 30', 18.745 cu. yds.; on curves 6° to 12°, 19.427 cu. yds.

"You can see from the specifications, section 70, that no allowance will be made for material taken out beyond the theoretical section shown on the standard or special plans. I do not suppose that there has been any special plans made for the tunnel-work you have been doing; at least, I have no knowledge of any.

"By section No. 71 you will see under what circumstances the price might vary. You can see from section No. 63 that 'In lined tunnels, the contractor must, at his own expense, fill in any cavities behind the lining resulting from any cause whatever, so that the roof and sides will in all cases have a firm bearing on the lagging or lining.' If you will observe the specifications, I do not see how you will have any difficulty in making a correct estimate for the tunnel-work. As far as subgrade is concerned, that is figured in the area already shown on our plans for the various tunnel sections, so you do not have to take the subgrade into account, and no contractor was ever paid for any back-filling he did in a tunnel, or in a rock cut either, where he was paid for taking out subgrade.

"To sum the matter up, there is nothing to the question, only to follow the specifications. There is nothing said in them about allowing a man overbreak because he handled the work carefully; the work is to be paid for according to the net section as shown on the plan, and it must be either a rock section or a timbered section, and be some one of the areas shown on the plans of the various sections. You must know what tunnel section has been ordered and built.—Yours truly, JNO. CALLAGHAN."

September 26th, 1913, Merriam to Callaghan, Exhibit 160:—

"Lillooet, B.C., September 26th, 1913. Mr. Jno. Callaghan, Chief Eng., Vancouver, B.C.

"DEAR SIR,—The tunnel on Seton Lake is nearly finished, and will you please advise whether overbreak, the extra foot below profile grade, and also cordwood filling back of timber will be paid for. The tunnel has been taken out in good shape; that is, with no excessive overbreak.—Respectfully, H. N. MERRIAM, Division Engineer."

December 18th, 1914, Callaghan to Welch, Exhibit 161:—

"December 18th, 1914. P. Welch, Esq. Railway Contractor, Vancouver.

"DEAR SIR,—With respect to force account bills that have been permitted for temporary work at pile and trestle bridges, the expense for this temporary work, compared to the slight additional progress that is made on track-laying, is out of all proportion to the benefits, and this is to advise you that in the future bridge stringers must be properly sized before track is laid across the bridges, as no more expense bills for force account on this kind of work will be passed. It would seem as if your forces have little regard for the cost of the work so long as they can get force account bills passed.—Yours truly, J.C./S. Copy to Mr. Crysdale."

Then there is another file that Mr. Callaghan produces. That shows the stationmen's prices.

Mr. Pooley: Showing what?

Mr. Callaghan: Showing cost to stationmen on that particular place at that time.

Mr. Taylor: That will be August 29th, 1914, Stoner to Callaghan, Exhibit 162:—

"Quesnel, B.C., August 29th, 1914. John Callaghan, Esq., Chief Eng., P.G.E.R., 801 Welton Bldg., Vancouver, B.C.

"DEAR SIR,—Mr. Fetter and Mr. Carleton were in to see me in regard to classification on joint-clay cuts. A cut of this material, station 678, on Carleton's work, has just been completed, and bills against it amount to approximately \$1,700, and if we figure stationmen's time at \$2.25 per day, total cost of the cut would be about \$3,400, which would amount to 53 cents a yard. If this cut was classified to bring stationmen out at the above wages, it would require 45 per cent. solid and 55 per cent. loose.

"I told Mr. Fetter that I had no authority to go that high on classification, but would write you a statement of the facts.

"Unless otherwise advised by you, I shall have to hold to a loose rock classification of this material.—Yours truly, (Signed) H. B. STONER, Division Engineer."

August 27th, 28th; two dates are given here; Stoner to Callaghan, Exhibit 163:—

"(C.P.R. Night Lettergram.) Quesnel, B.C., August 27th-28th. John Callaghan, care P.G.E. Ry., Vancouver, B.C.

"Station gangs working in joint clay will need help in classification; actual cost, including wages, averaging fifty to fifty-five cents per cubic yard. Please advise Mr. Stoner, as several station gangs asking for estimates.—H. J. Fetter."

Stoner to Callaghan, Exhibit 164:—

"Quesnel, B.C., February 16th, 1915. John Callaghan, Esq., Chief Eng., P.G.E. Ry., 801 Welton Bldg., Vancouver, B.C.

"DEAR SIR,—I am holding up Byrne & Duffy's final estimate as per your night lettergram of the 9th instant. Their estimate as made up by Mr. Ewart is a summary of the estimates given to stationmen, plus the work they did themselves with teams. It is as follows:—

Clearing	129.67 ac.
Grubbing	22.91 "
Earth	33,084 c.y.
Hard-pau	27,498 "
Loose rock	54,712 "
Solid rock	29,787 "
Dangerous trees	48
Extra haul	30,617
Crib-iron	746
Crib-timber	4,433
Overhaul on crib-iron	16.6
Timber in culverts	25,242
Iron in culverts	9,289
Overhaul on bridge mtl.	209.8

Excavation in foundations—

Total, 1,050 c.y.

As follows: Earth	81
H.P.	547
L.R.	422

"According to this estimate, there is a balance due Byrne & Duffy from A. E. Griffin & Co. of approximately \$5,400. It is not to be presumed, however, that this is profit on the work, as A. E. Griffin's books show that Duffy & Co. furnished supplies to the amount of \$4,260, and Byrne & Co. furnished supplies to the amount of \$4,813, total, \$9,073; which, of course, has not been charged to them as it was furnished from the Grand Trunk work. They also put on about \$5,000 worth of equipment, for which no charge is made for wear and tear. If we assume the \$9,073 worth of groceries is a legitimate bill and that Byrne & Duffy have \$5,400 coming, there would still be a loss to Byrne & Duffy of \$3,673 if they had bought these supplies for the work on the P.G.E.—Yours truly, (Signed) H. B. STONER, Division Engineer.

"P.S.—I have been aware for some time that the quantities on this work were overrunning the original profile quantities, but have found this to be true on all other work between Hixon Creek and Quesnel River. Cuts and fills, if on a slope, generally overrun the original profile by about 50 per cent. The classification I know is high, but the stationmen did not get away with any big money, and you will see from my explanation on this letter that Byrne & Duffy is certainly not getting any more than they are entitled to."

February 11th, 12th, 14th, 15th, no dates shown on the telegram, Stoner to Callaghan, Exhibit 165:—

"(C.P.R. Co.'s Telegraph.) Prince George, B.C., February 11th-12th. John Callaghan, 801 Welton Bldg., Vancouver, B.C.

"No estimate given. In Prince George to-morrow, Quesnel Tuesday.—H. B. STONER."

Callaghan to Stoner, Exhibit 166, 9th February, 1915:—

"February 9th, 1915. Mr. H. B. Stoner, Division Engineer, Quesnel, B.C.

"DEAR SIR,—In making a comparison between the location estimate and the estimate as now rendered on Griffin & Company's work between Miles 5 to 12, Hixon Creek South, there seems to be a considerable increase in the yardage, although there is very little difference

between the profiles as constructed and the location profiles. I think it would be well to have this apparent discrepancy looked into before any final estimate is given on that work to Byrne & Duffy. Also the classification seems to be very high for the class of material they had on the work they did there, and I wish to look into this personally before you give a final estimate. Expect to get up to Quesnel some time this month.—Yours truly, J.C./S.”

February 9th, 1915, Callaghan to Stoner, Exhibit 167:—

“(C.P.R. Co.’s Telegraph.) Vancouver, February 9th, 1915. H. B. Stoner, Division Engineer, P.G.E.R., Quesnel, B.C.

“Do not give final estimate on work between Mile five and twelve, Hixon Creek South, until I look the work over on the ground. Wish to have some measurement done.—JOHN CALLAGHAN. Charge P.G.E. Eng. Dept.”

Callaghan to Stoner, December 4th, 1914, Exhibit 168:—

“December 4th, 1914. Mr. H. B. Stoner, Division Engineer, Quesnel, B.C.

“DEAR SIR,—Replying to yours of November 27th *re* rate of pay earned by stationmen on certain station-work on your division, will say the figures shown on the statement which we had at Fort George represented the net amount received by the stationmen clear of expenses.—Yours truly, J.C./S.”

November 27th, 1914, Stoner to Callaghan, Exhibit 169:—

“Quesnel, B.C., November 27th, 1914. John Callaghan, Esq., Chief Eng., P.G.E. Ry., 801 Welton Bldg., Vancouver, B.C.

“DEAR SIR,—In regard to station gangs’ estimates which we were looking over at Fort George, showing wages per day of a gang, I find that the board, which runs from \$1 to \$1.50 per day, depending whether the men board at camp or board themselves, was included in these statements. Probably a fair average cost for board is \$1.25 per day. Thus, if you subtract \$1.25 from the figures shown on this statement, you will find that the general average of men doing grading-work is considerably less than \$2 per day net. In addition to the statement which we saw, there were a number of station gangs not shown, as they came out so far in the hole that they were paid off by time-checks.—Yours truly, (Signed) H. B. STONER, Division Engineer.”

Callaghan to Stoner, August 28th, 1914, Exhibit 170:—

“August 28th, 1914. Mr. H. B. Stoner, Division Engineer, Quesnel, B.C.

“DEAR SIR,—With this I send you copy of a telegram received from Mr. Fetter regarding classification. From this telegram it is apparent we would have to give a considerable percentage of solid rock classification in these joint-clay cuts to permit the stationmen to make \$2 a day for their work. I was under the impression that this joint clay could be handled more cheaply than Mr. Fetter’s wire would indicate, and it seems to me there must be some heavy charges for tools and other expenses against these stationmen besides their board, or they should be able to handle the material in question at less cost; and I would not be in any particular haste about giving an estimate on this kind of work with solid rock classification in it until you had investigated very carefully the reasonableness of the charges that are standing against the men.

“I know that there is a lot of very bad material on that line south of Fort George that will need to have a considerable percentage of solid rock estimated in it to pay for the cost of handling it. In the handling of some of it, possibly, owing to lack of industry or wasteful methods on the part of the labourers doing the work, we may not be justified in making a classification that would bring them the usual wages. At all events, unless you receive further notice, I would not classify any of this joint-clay material higher than 25 per cent. solid rock, and I would only do this in cases where the sub-contractor shows that he is treating his stationmen fairly in the matter of his charges for supplies and tools, and also in the matter of the price per yard for the material which he is handling. I think, for all solid rock that is given in this kind of material, the stationmen should be paid at the rate of at least 85 cents per cubic yard.

“I would require Mr. Fetter to give you a list showing what would be a fair price for sub-contractors to charge stationmen for their powder, tools, and other supplies at each camp on the work, so that you will have some reliable reference by which to compare the bills which the sub-contractor may render against the stationmen. Also you should take into account the length of time which the stationmen used any cars and track, and in this way apportion the percentage of the total freight charges which the sub-contractors show against it. It should be remembered that there is very little wear on track used by the stationmen; it is just as good when returned to the contractor as when the stationmen got it, and it might be that such rental is charged for

this that the stationmen should not be charged any freight whatever. We are going to require these sub-contractors to show up very plainly the justification of every charge they make against the men.

"I will endeavour to get up there as soon as this month's estimate is out of the office, and look into some of these matters with you personally.—Yours truly, J.C./S."

2nd September, 1914, Callaghan to Stoner, Exhibit 171:—

"September 2nd, 1914. Mr. H. B. Stoner, Division Engineer, Quesnel, B.C.

"DEAR SIR,—I have yours of August 29th *re* classification in joint-clay cuts. All I can say in this respect, in addition to what was stated in my letter of August 25th, is that I would not give more than the 25 per cent. solid rock classification in these joint-clay cuts, and this only in cases where the condition of the material at the time the work was being done rendered it more difficult to handle than it ordinarily would be under favourable weather conditions, and the material was not saturated with water owing to springy ground, etc.—Yours truly, J.C./S."

Mr. Callaghan also produces a diagram showing the different kinds of rock, and how they would be classified on the construction, on the National Transcontinental—

Mr. Callaghan: Yes, National Transcontinental.

Mr. Taylor: As per instructions issued by H. D. Lumsden, Chief Engineer, National Transcontinental Railway, in charge of that railway for the Government. I understand, passed by the Board of Railway Commissioners. A.—Yes; passed by the people in charge of the construction.

Q.—That is the Transcontinental Railway? A.—Yes.

Q.—Mr. Callaghan wants to draw your attention to rock in masses of over 1 cubic yard (assembled rock) which in the judgment of the engineer can be best removed by blasting. That is the one you wished me to bring to the attention of the Committee? A.—Yes.

That will be Exhibit 172:—

"Blue-print showing—

(1.) Rock in ledges.

(2.) Rock in boulders over 1 cubic yard.

(3.) Conglomerate rock or plum-pudding stone.

(4.) Detached ledge rock in mass over 1 cubic yard.

(5.) Rock in masses of over 1 cubic yard (assembled rock) which in the judgment of the engineer can be best removed by blasting.

(6.) Shale rock which in the judgment of the engineer can be best removed by blasting.

"No. 1 is a mere matter of measurement by the engineers.

"No. 2 is a mere matter of measurement by the rock-measurers.

"No. 3 is a mere matter of measurement by the engineers.

"No. 4 is a mere matter of measurement by the rock-measurers.

"Nos. 5 and 6: To form a judgment as to whether or not is it best removed by blasting the Chief Engineer must view the work in progress or leave it to be decided by the engineer in charge, whose duty is to frequently visit the work during its operation and be governed thereby and act accordingly."

(On above blue-print, in handwriting, the following note: "Copy of instructions issued by H. D. Lumsden, Chief Engineer, National Transcontinental Railway. For the guidance of his engineers in making classification of solid rock on that line.")

Mr. Hanes wants me to read Exhibit 162, which is a letter of 29th August, 1914, Stoner to Callaghan. (Letter read. Copy appears on page 335.)

PATRICK WELCH, called and sworn by Chairman, testifies as follows (examined by Mr. Davis):—

Mr. Davis: I presume that neither the Committee nor Mr. Taylor will object to my examining Mr. Welch first, as he is really our witness.

Mr. Taylor: No, I think that would be the proper course for Mr. Davis to examine first, and I was going to suggest it, in fact.

Mr. Davis: Your full name is what, Mr. Welch? A.—Patrick Welch.

Q.—You were born where, and when, about? A.—Born in New York State, 59.

The Chairman: Mr. Davis, will you wait a minute while we settle the question of the audit or otherwise?

Mr. Taylor: I would like to get the balance of Mr. Welch's exhibit filed first. They are all here, are they?

Witness: As far as I know.

Q.—Are they in the room? A.—We have about four boxes of stationmen's contracts and settlements. They have been taken upstairs.

Mr. Taylor: Please have them all in, and marked as exhibits.

(It was suggested that they should be marked by Mr. Anderson, the Secretary, in the same way as others yesterday, keeping them in a separate room.)

The Chairman: You want to have them kept separate, I understand. I do not see any reason why Mr. Anderson should not mark them up there.

Mr. Taylor: I understand, Mr. Welch, that you are producing all the settlements with the stationmen and sub-contractors? A.—As far as I know, yes.

The Chairman: What about the auditor, Mr. Taylor?

Mr. Taylor: Now, that is the question. Mr. Hanes is engaged just now for a few seconds; I had a talk with Mr. Hanes, and he thinks it is absolutely essential to have a personal examination of the books. There is another view on the question of the audit that we have forgotten, and that is that in the audit we might take up a lot of time unnecessarily; they are very extensive books, and in having an audit made we might find a great many things that we would not require in the inquiry. It is pretty hard to say what is the best thing to do. As far as I am concerned, I express no opinion at all, one way or the other.

The Chairman: What I wanted to direct attention to was the question which was brought up by myself a few days ago with reference to obtaining a statement which will show the amount of money disbursed to the stationmen and sub-contractors; and as to any other men working on the road, working by day-labour.

Mr. Taylor: I stated to the auditor that what was required by this Committee was that you had a tabulated statement showing the cost of each kind of work on each section to P. Welch.

The Chairman: Yes.

Mr. Taylor: The cost of the same kind of work on each section as performed by the sub-contractors. The cost of the same kind of work on each section as performed by the stationmen. Total cost to P. Welch. Total cost to sub-contractors. Total cost, stationmen, of each kind of work, over the whole of the road to date.

The Chairman: Can the auditor prepare that now?

Mr. Taylor: That will take some time, and he may have to consult P. Welch's books; probably will, because I understand that some of this work was done, not by sub-contractors, but by P. Welch on day-labour. Some very undesirable spots were done in that way, but that always occurs in railway-construction; the main contractor has to do some very undesirable work by day-labour. In addition to that, Mr. Hanes thinks it is absolutely essential that the Committee have an inspection of the books; just what books is uncertain; I don't know whether it might not be the best thing for Mr. Hanes to visit P. Welch's office; I would simply suggest that—and he would see for himself what books he considers are essential to be brought over here; he might be a delegate of the Committee to determine that fact. Would you adopt that suggestion, Mr. Hanes?

Mr. Hanes: I don't think I would care to do that.

The Chairman: It seems to me a good suggestion, and it would be a good deal of assistance to the Committee if Mr. Hanes would do so; but I do not like to take any definite attitude in the matter.

Mr. Hanes: I think that what I stated yesterday makes it very clear. I tried to be clear yesterday morning in my opinion on the question, and I do not think I need express any more. I do not wish to influence any of the rest of the members of the Committee.

The Chairman: What I am anxious to get is that tabulated report, if possible. As far as I am concerned, I think that my work is over after P. Welch is off the stand. I do not intend to go further until I get it.

Mr. Taylor: I think it is absolutely essential to have that tabulated statement.

The Chairman: As far as I am concerned, I am through at this stage.

Mr. Taylor: The statement is the most important thing that we have had up to date.

The Chairman: What I want to know is what the auditor wants in order to make that statement.

Mr. Taylor: He will have to get some person to assist, and I suggested Mr. Anderson (witness) and Mr. Howatson; who will not be allowed to touch any of the papers or books, but they will go up there to direct him where to get his information. They will simply give him the information. If Mr. P. Welch wants any person else up there, or the P.G.E.R. want any person there, of course the auditor will be happy to have them; the auditors will have to do the work, of course, and be responsible for it.

The Chairman: Is the material here now upon which they can start to do it?

Mr. Taylor: They can start to do it, but not complete it without seeing Mr. Welch's books.

The Chairman: Any book which he requires he must have.

Mr. Taylor: We have a cash statement filed, Exhibit 164, already.

The Chairman: That does not meet the question of what I want at all.

Mr. Taylor: That is a résumé of Mr. Welch's books.

Mr. Hanes: I do not think that it represents anything like what we want.

The Chairman: The analysis of that is to be made, or a tabulated statement which we are to get.

Mr. Taylor: I suppose that the tabulated statement will work as a check on Exhibit 164.

Mr. Davis: I may say that Mr. McWilliams will attend and give information as to where the things can be found, on behalf of Mr. Welch.

Mr. Taylor: The tabulated statement will not give you the actual classification of the work, because they were changed; and there is no way of ever finding out what the actual proportionate classifications of that work are without an actual survey by competent engineers on the road itself, with the cross-sections in their hands.

The Chairman: I do not think we need worry very much about that, Mr. Taylor. What we want is that statement, and if we know how much profit the contractor and sub-contractors made, when we know those actual figures, the other is more or less of a detail.

Mr. Hall: Do you want a motion before the Committee? I move that the auditor be instructed forthwith to proceed to prepare the statement as outlined, and that he be invested with the authority of this Committee to require the production of such books as are necessary to complete that statement.

Mr. Taylor: In Victoria.

Mr. Hall: Yes; I take it that he can use his discretion. We want to give him the authority to make that statement; the statement is what we want.

The Chairman: I suppose that for the purpose of the compilation of the statement he can use his own discretion as to where he goes to get the information.

Mr. Hall: Yes.

Mr. Pooley seconded the motion.

The Chairman: That is an amendment—

Mr. Hanes: What is the motion, Mr. Chairman? I was just talking to Mr. Oliver and did not hear it.

The Chairman: That the auditor be instructed forthwith to prepare the statement as required, starting with the information that is already filed; and that they have the authority to follow that up, with any production or any investigation of any of the books to facilitate that object.

Mr. Hanes: Here or in Vancouver?

Mr. Pooley: In either place.

Mr. Taylor: In Victoria.

Mr. Pooley: It should be left to the discretion of the auditor to go to Vancouver if he wants; he might get the assistance of Mr. Welch's clerks more readily than he would down here.

Mr. Hanes: I am not going to vote for any amendment which will permit any of the auditors to do this work except within the jurisdiction of the Committee.

Mr. Taylor: I understand from the Hon. Oliver that it is not the policy of the Department to allow the auditor to be travelling too much to get his information.

The Chairman: You want the books brought here?

Hon. Oliver (Minister of Railways): The order of the House is for the production of these documents to the Committee, and that order cannot be varied. The Committee has no power to vary that. The order of the House is for the production of everything required here.

Mr. Hanes: That is my motion, or what it covered yesterday; and we argued an hour about it, and could not get it through.

The Chairman: Mr. Hall's motion at is was put by him was that the auditor proceed forthwith to make an analysis of the documents already at hand, and Mr. Welch is to be instructed to produce to us in Victoria any further books that the auditor may designate for the purpose of the statement.

Mr. Taylor: The auditors being Price, Waterhouse & Company.

The Chairman: That, I take it, is Mr. Hanes's original motion, with the modification of it, that the auditor be instructed forthwith, and they are to get on it at once so that the Committee can have it at the earliest possible moment. The motion now is, made by Mr. Hall, and seconded by Mr. Pooley, that the auditor be instructed forthwith to proceed with the preparation of this tabulated statement from the material in his possession; and that he be authorized to designate any further documents or books that are necessary to complete that statement; and that Mr. Welch be instructed to produce those documents in Victoria for this purpose, and if the Committee want to mark them as exhibits, that will follow. If there is no discussion on that motion, I will put it.

Motion put to the meeting. Carried unanimously.

The Chairman: Now, before we start with Mr. Welch, is the auditor ready to proceed this morning? Mr. Hanes, what assistance can you give him in that way?

Mr. Hanes: I think I would like to have the privilege of helping from time to time.

Hon. Oliver: I understand the auditor is prepared to start work at any time.

The Chairman: Perhaps one of Mr. Welch's men would go up, and show those books up there, and he can get working on it. If they are in need of any further assistance, they may present the matter to us again.

Mr. Davis: You live where, Mr. Welch? A.—I live at Spokane, Washington.

Q.—Timothy Foley and John W. Stewart, I believe, are the men associated with you in this undertaking? A.—They are.

Q.—Where was Timothy Foley born, and about when? A.—Supposed to be about eighty years old; and was born somewhere between Ottawa and Montreal, round Alexandria, so I am informed.

Q.—And he lives where? A.—Near Alexandria. (Referring to previous answer.) St. Paul, Minnesota.

Q.—St. Paul, Minnesota? A.—Yes.

Q.—John W. Stewart was born where, and about when? A.—In Scotland. He is about fifty-six years old.

Q.—Where is he living now? A.—He makes his home in Vancouver.

Q.—At the present time he is at the front? A.—Yes, he is in France.

Q.—When did you three first become associated in business, and what business? A.—Are you referring now to the railroad business?

Q.—Yes? A.—Oh, I started in in a light way about thirty years ago.

Q.—When did you three first become associated together? A.—That is as Foley, Welch & Stewart?

Q.—As Foley, Welch & Stewart? A.—I would say fifteen years ago.

Q.—Now, prior to that time, what experience had they, Mr. Welch? Take Mr. Foley first; had Timothy Foley had any railroad contracting? A.—Quite a large experience, I am told; I don't know what, but as people tell me.

Q.—And what experience had you had prior to the fifteen years ago, when the three of you became associated? A.—Oh, I had lived around over this way for fifteen years, doing different jobs, Northern Pacific and Great Northern Railway.

Q.—And what experience did Stewart have in contracting prior to your being associated together? A.—J. W. Stewart started out railroading as an engineer, and went up later to contracting; the first contract I think was on the Great Northern; he was working there on 75 miles of the road; in 1893 he joined Peter Larsen and Company, myself and Mr. Stewart, and we built the line near Fort Sheppard.

Q.—What year was that in, do you say? A.—I think that was in 1893.

Q.—That railway runs from where to where? A.—It is an extension of the Spokane, St. Paul & Northern Railway from Spokane, Wash., to Nelson, B.C.

Q.—Since you have been associated together, will you very briefly outline all the railroad contracting experience that you have had, the three of you—the firm of Foley, Welch & Stewart?
A.—What experience have we had?

Q.—Yes, just a rough outline of it. A.—I suppose, since we have been together, the first contract that we had was the G.T.P.

Q.—What work did you do on that? A.—The principal or the largest part that we built, Mr. Stewart built, or Foley, Welch & Stewart built, from Saskatoon through to Prince Rupert, I think, without a break; in other words, we did contract after contract without a break, and we continued all the way through.

Q.—About what mileage would that be altogether? A.—Something over 1,300 miles.

Q.—Did you do any other work on the G.T.P.? A.—Yes, we did some work—I think they call it Thunder Bay, from Fort William north to connect with the main line of the G.T.P.; I believe they did 150 to 175 miles to that junction; that was a force account proposition.

Q.—And did they do any work on the C.N.P.? A.—Yes, quite a little. They had the contract for the line between Winnipeg and Port Arthur a few years ago, a force account proposition. We did a lot of prairie work, several hundred miles of branch lines; and the last work that we have done was for the C.P.R.—a big tunnel, Glacier, B.C.

Q.—Did you have anything to do with the railway-yards at Winnipeg? A.—Yes, we built those.

Q.—Did you do any work on the Canadian Northern? A.—We did; the Foley Bros. Construction Company built the line between Hope and Kamloops, a distance of about 160 miles, before Foley, Welch & Stewart were connected together.

Q.—Did you do any other work on that road? A.—Yes; Foley Bros. and the Northern Construction Company engaged Mr. Stewart, and I had a light interest in it, on what they called—I think they call it the North Shore line, or something like that, just for a name, running from Port Arthur down in the neighbourhood of Sudbury, I think, a distance of 550 miles.

Q.—Have you done any work on the Great Northern? A.—Oh, yes; I started railroading on the Great Northern, on the main line, from Haverford West, many years ago.

Q.—Roughly, about what amount of work did you do, I mean, altogether? A.—Pretty hard to say, it is long ago; but I did four or five different pieces, of fifteen, twenty, or ten miles in a piece; I don't know just exactly how much.

Q.—Now, Foley, Welch & Stewart, have they done work on the Great Northern? A.—Yes, they did. They had the contract on the line east Quenachin, and then they built the line from Bonners Ferry.

Q.—What mileage was that? A.—I suppose, forty to fifty miles, something like that; maybe a little more.

Q.—Now, coming down to the contract with the Government in question here, did you have any conversation with the Premier, Sir Richard McBride, prior to your firm entering into this contract? A.—Yes; just once.

Q.—Just give the general nature of that conversation. A.—That we had?

Q.—That you had with Sir Richard McBride, showing what representations were made as to what would be required from you three people, or the firm, from a financial standpoint? A.—Oh, yes. I would have to go back a little further than that in order to make it clear.

Q.—Certainly. A.—The first notion I had of this—the first time I was told about it was by Mr. Stewart; that would be some time in the spring or the summer of 1911. It was only that he, D'Arcy Tate, or he, was trying to get a contract to build a railroad from Vancouver to Fort George, or, in other words, to go up in that country somewhere, with the G.T.P.; I didn't pay much attention to it at all, because I supposed he was trying to get a piece of work, or something like that, and I didn't pay much attention to it. Finally Mr. Stewart in the fall of that year got ill, very sick, and he went away to California. In the meantime Mr. Tate stayed here, and it worked up to a point that he had to take it up with me on account of Stewart's illness, and he asked me to come over to Victoria to see Sir Richard McBride; and we came here, and he outlined the railroad policy to a certain extent; told me at that time that he had decided to guarantee a certain mileage up here, both interest and principal, for \$35,000 a mile, and he gave me a short outline of his understanding with Mr. Stewart. And I said to Sir Richard at that time that I was not very familiar with the country, and didn't know very much about it; and I didn't know whether \$35,000 a mile would give us money enough to complete

the line; and he said that he knew our position, and he knew Stewart, and knew that we had a pretty good reputation, fairly strong financially, and good contractors, and he wanted somebody of that character to carry out this work; and if \$35,000 a mile was not enough, that he would aid us sufficiently to enable us to do so—to complete it. That was about all the conversation we had at that time. I think I talked—we talked for perhaps an hour, and the next time it came up I went down to California to see Mr. Stewart.

Q.—Before you leave that conversation with Sir Richard McBride; that was the only one you had with him at any time A.—Yes.

Q.—Was anything said as to what advances you would be expected to make? A.—Well, yes; he did say—he said that he didn't expect any firm of contractors to get in and develop the Province with their own money. He knew the people (the firm) were strong, and they would have to get big outfits to move on to this work and do it in good shape; and he said: "We naturally expect you to carry this thing along for us for a few months until such a time as we can get to the sale of our securities, so that we can furnish money enough to keep the work going."

Q.—Was anything said by him in reference to a Dominion subsidy? A.—I don't remember whether there was at that time or not, but later——

Q.—There was a little later? A.—Yes.

Q.—Will you give us that now, while we are at that point? A.—I always understood and believed from Mr. Stewart that it was an absolute certainty that we some time would get the same aid from the Dominion Government as the C.N.

Q.—From whom did that assurance come? A.—From Mr. Stewart.

Q.—I know, and to him from whom? A.—I don't know.

Q.—It was from Sir Richard McBride, was it? A.—No, it was from some party or parties in Ottawa.

Q.—I see; now you were going on, when I interrupted you. A.—I went down to California to see Mr. Stewart, and while there Mr. Tate came down, and he said that the proposition now had come up to a point where it was perhaps all ready to sign. Mr. Stewart was not in any shape then, and Mr. Timothy Foley and I talked it over a little while, and finally we signed up; and Mr. Tate came back here to Victoria. I came here—I am getting ahead of my story a little bit—I came here before Mr. Stewart was taken ill, and he had made arrangements that, in the event that the deal went through, to employ Mr. Callaghan as chief engineer when I got back to Vancouver. We started out Mr. Callaghan as quickly as we could in making the preliminary surveys with the view of completing his location, so as to get it started as quickly as we could between Squamish and Lillooet. And I was to assume Mr. Stewart's duties on the Grand Trunk Pacific, and I divided my time as nearly as I could between the two, the P.G.E.R. and the G.T.P.

Q.—Yes; you went on and incorporated the P.G.E.R.? A.—Yes.

Q.—Now, why did you have the control of the Board of Directors retained by your firm, Foley, Welch & Stewart? A.—Why we held control——

Q.—Yes; why did you keep control of the Board of Directors; why was it necessary to do so? A.—Well, really we were behind the thing; the Government had our guarantee, so that we guaranteed the P.G.E.R. to perform such duties.

Q.—Now, this point has been raised on a few occasions: Will you explain to the Committee why the contract was taken by yourself, that is, Foley, Welch & Stewart, instead of putting it up to tender, and giving it to the lowest tenderer? Just go into that, Mr. Welch, as fully as you can. A.—I can make a very plain statement of those facts, because the proposition is this: We had an outfit over here at Chilliwack, and a very large outfit on the Grand Trunk Pacific, which was gradually being assembled as the work got through. We had a large experience as practical men in construction, and it never struck me that we would invite anybody to bid on that work.

Q.—Yes. A.—Because, as we were behind the whole thing, it did not make so much difference; we had to build it, and we supposed at that time that we could do it, go ahead with these arrangements, and complete the line; and the object was to make all the money that we could out of it by doing the work ourselves, and looking after it carefully and economically; and treating the sub-contractors, and the stationmen, and the labourers on the line as well as we could.

Q.—If the contract had been let to an outside firm, and they had made a profit on it, that profit, of course, would have gone away from the outfit entirely? A.—Yes; it would have gone away entirely.

Q.—Now, were the Government aware of the fact that P. Welch was Foley, Welch & Stewart? A.—That P. Welch—

Q.—Yes; Foley, Welch & Stewart? A.—I don't think there is any question about it at all.

Q.—There was never any concealment of the matter? A.—No, certainly not.

The Chairman: When you say the Government, whom do you mean, Mr. Welch? A.—Well, I mean the Premier, and the heads of the Government, and Mr. Gamble, the Government engineer.

Mr. Davis: Now, why was the contract made, in addition to the explanation already given, why was it made on the prices fixed without the usual surveys being made and profiles obtained, and so on? A.—I don't know that I—

Q.—In this case the contract was entered into between you three people and the P.G.E.R.? A.—Yes.

Q.—And the prices were fixed? A.—Yes.

Q.—In that contract? A.—Yes.

Q.—Before any surveys of any extent had been made of the route, and before there were profiles, or anything of that sort? A.—I see—

Q.—to guide you? A.—Well, now, gentlemen, I said that I didn't have sufficient knowledge of the country, neither did I. Mr. Stewart had been up and down over the road; that is, from Fort George, down the river, I suppose, to Soda Creek, in a boat; and by automobile to Ashcroft, or to Lillooet, and down to Lytton, and that way. Now, the Grand Trunk Pacific runs some kind of a line-location, a preliminary line, from the same place on the Grand Trunk down the Fraser River, and across by Seton Lake and Anderson Lake, and down south of Harrison Lake, I believe it is, and they run it down to some place where they could get through here; and then the Howe Sound people furnished up some data, if I remember right, from Squamish over to Lillooet; that will give a kind of idea of it; anyway, he was satisfied with it, and we carried it through.

Q.—Were the Government anxious to have the contract entered into at once? A.—Yes; Sir Richard McBride seemed to be in a hurry with it.

Q.—Now, the prices were fixed at the time the contract was signed, were they not? A.—Yes, at the time.

Q.—The contract was signed; that is, the contract for the complete road, or the contract of construction, not the original contract with the Government, but the contract—

The Chairman: P. Welch's contract.

Witness: Oh, yes; the prices are copied right into it.

Mr. Davis: From our point of view, although it is not a very important matter, you say you knew very little about that route at the time you entered into the arrangement with the Government? A.—Yes.

Q.—You are now familiar with it, are you not? A.—Fairly so, yes.

Q.—You have been over it a good deal? A.—Well, I have been over it; I have been over the work that I let between North Vancouver—all those contracts were let by me, or advised by me, from North Vancouver to Kelly Lake. We started some time in September or October, 1912, and I stayed on this work and the work upon the Grand Trunk Pacific all the time, dividing my time up; and Mr. Stewart returned some time in August; and he assumed his duties on the Grand Trunk Pacific, and I gave my entire attention to the Pacific Great Eastern; and we kept that work going, and all that work I mentioned, I let it, or advised the letting of it through to Kelly Lake; and in the fall of 1913, in the latter part of November, I had a very severe operation; and from that time on for two years Mr. Stewart handled the whole field, and I took very little part in it afterwards.

Q.—Then you went back on it again? A.—I was back to it; but Mr. Stewart practically handled it until such time as he went to the front.

Q.—That was about when? A.—I would say August or September of last year.

Q.—Now, have you been over the whole line, or those portions that you said you let; you have been over the whole of the line, haven't you? A.—Over the whole line. No, I never have been over the line—I have been over the line a little ways north of Clinton; and I have been

along on the wagon-road, or the stage-road, up and down the river, but I never did walk over that line—was not able to. And I don't know that I am able to do it to-day.

Q.—The evidence has shown that the prices are fairly comparable to the prices in the Grand Trunk Pacific Company; they speak for themselves, of course; they are in as exhibits. A.—Yes.

Q.—What do you say about the conditions for building the line, as far as expense is concerned, of course, on the P.G.E.R. and the G.T.P.? A.—Well, at the time that these prices were made, we tried to make a price about the same; and we figured that the C.N.R. was about the same. It has developed since that the P.G.E.R. prices are not as high—that is, from a contractor's standpoint—and would not be as good work as the G.T.P.

Q.—I see; but what are some of the conditions that you are referring to that make it produce that result? A.—Well, the cost of work, labour, cost of labour, and its efficiency, and cost of supplies; but the large item is transportation. On the Grand Trunk Pacific they had a navigable stream for five or six months in the year, and handled all supplies and equipment of every description on the boats. Against that, on the P.G.E.R., why, we had two hauls in some places by wagon, and an extreme haul in some places of nearly 100 miles, or perhaps a little more, I dare say.

Q.—What about the building of roads? A.—The building of wagon-roads?

Q.—The P.G.E.R.? A.—Well, we built a very expensive wagon-road between Squamish, or a little east of Squamish, over to the Pemberton Meadows. I think that was quite a considerable item, of which the Government promised a part payment back to us, which we never got.

Q.—About what did that road cost in itself? A.—The wagon-road?

Q.—Yes. A.—As I remember, about \$130,000.

Q.—Will you explain to the Committee the system which you adopted in connection with the building of the road with the view to having the road built economically; what was your system with the sub-contractors and stationmen? A.—Well, now, as far as building it economically, Foley, Welch & Stewart was behind the proposition that has been made with the Government, and we agreed to carry it out for the P.G.E.R. Company; and it is only natural and reasonable to believe that we would do that work, and do it just as cheaply as it was possible to do it. I think that the work was handled as well as any work could be handled, and as good a contract as can be seen anywhere. The sub-contractors, those men were all good men, and they had nice little outfits, and they looked after it closely, with the view of being paid with everybody else.

Q.—What would you say as to whether there was any general understanding with the various sub-contractors as to what sort of profits they could make on the road? I understand a number of these sub-contractors were once working for you on the G.T.P. for a long time? A.—Yes.

Q.—And made a good deal of money there? A.—Some of them; but the men that Stewart let the work to from Fort George south had been working for him on the G.T.P., and had worked for him a number of years. The principal contractors, the first ones, were Carleton, and Byrnes-Jordan, and Griffin, three different outfits—

Q.—Yes. A.—There is no question about them.

Q.—Well, take them as a sample? A.—Yes.

Q.—What was the understanding with them before they started to work there? A.—We asked them to go down on this job: "Now, I want you boys to go down on that work and do it for me; this is a Foley, Welch & Stewart proposition; and we don't want you to get away with the idea that you are going to make a lot of money, because you won't. But we want you boys to go down there, and you will see these prices, and we will give you sufficient to do that work; but we are not going to let you get away with a lot of money; we want to be fair with you." And we asked them to go down there.

Q.—Was anything said, supposing the prices were such as to give them unusually big profits? A.—He would trim them down.

Q.—Was that done? Just go on. A.—If you will allow me, I think I can make it clear. Those men went down there; this is the history given to me; I was not on the ground, but Stewart told me, and I had every reason to believe him. These men went down there, and they had quite a following of stationmen, and they let most of it out; and after a few months, three or four months, Stewart passed up over the line of work, and they said they could not make any money on those prices, and there was considerable complaint on the line.

Q.—You mean the stationmen? A.—The stationmen; because it was the men on the job all the way through who did it, except in a few bad places that we could not let. Stewart, I think—that, at least, he told me so—asked the chief engineer to classify that work out to the stationmen so that they could make decent wages, and that they must keep the stationmen on the line in order to get through with it. They were in a hurry with it; that would be in the spring; no, late in the fall, I think, 1914. Now, that was carried out, and Mr. Callaghan was instructed, as I tell you; and the stationmen were all paid so as to keep them on the line.

Q.—As between the stationmen and the sub-contractors, what do you say about them? A.—What about them?

Q.—Yes, as to the sub-contractors' end of it? A.—The sub-contractor was paid on the settlement of those estimates that I speak of.

Q.—The sub-contractors permitted the classifications to the stationmen, didn't they? A.—They did, yes.

Q.—And by reason of this classification the stationmen were making more money; now just tell me what happened in connection with the sub-contractors as a result of that? A.—I understand you.

Q.—I don't want to lead you, but tell me what you told me before? A.—Yes.

Q.—I want you to tell me just exactly—let me put it this way: By reason of the stationmen having a certain higher classification, and therefore not losing money, or making reasonable wages out of it, the sub-contractors had the tendency to raise their prices to the stationmen? A.—That would be the natural thing to take place; but I don't know—

Q.—What course did you adopt with the sub-contractors? A.—Mr. Stewart just trimmed them down to a certain allowance. Now, I am not going to say I know just what that allowance was; I understood that \$35,000 was in Mr. Stewart's mind at that time; it would be a definite pay for their outfit and their own time on the job.

Q.—Were those three the men that Mr. Howatson referred to in his evidence yesterday? A.—I was not here then.

Q.—He said that there were three contracting concerns that were cut down in their profits to, I think it was, either \$25,000 or \$20,000 for one man, or two of them, and \$30,000 for the other, or something like that? A.—Those men were cut down more than that.

Q.—How much were they cut down, these three concerns you are speaking of? Were those the ones that claimed profits of \$300,000 or \$400,000 that you told me? A.—I think, if Mr. Callaghan would have carried out with the sub-contractors the same line of classification that he gave to the stationmen, that each and every one of those fellows would have been more than \$100,000 apiece.

Q.—And they were settled with at what amount? A.—Normal sums. Mr. Stewart stated that they were also paid \$5,000; I have forgotten what it is—it is a matter of record.

Q.—That is here; and the settlement sheets are here? A.—Yes.

Q.—Take the case of the other men, sub-contractors who put in a certain amount of money and were actually going behind; how did you treat them? A.—With all of those fellows we made the best settlement that we could, to be fair to them.

Q.—Your idea was that they should not lose money on the job? A.—That was the idea exactly.

Q.—And there were some instances, what were they? A.—Yes, there were a few.

Q.—One of them was Nixon. Take him as an illustration; what happened with him? A.—Nixon had a portion of the work between North Vancouver and Horseshoe Bay, and he did that work, and when he cleaned up on his prices he came out in a hole; and the thing drifted along for a time, and I think he made a complaint to the Government. Now, that is all hearsay; I don't know whether he did or not; but I am supposed to know that he did, because I asked him one day to tell me about his trouble; and I told him at the same time that if he would come in and show me that he had lost money in the proposition, and put money into it himself, that I would take the thing up and see what I could do with it. He turned in his bills that he said he had paid on the line, and showed them our book-keeper over there, and I satisfied him so that he signed a receipt in full, and said that he was satisfied; I don't know whether he was or not.

Q.—You gave him a cheque for a certain amount of money? A.—Yes.

Q.—You stated, I think, that the road was as cheaply built as you have known any road to be built? A.—I think it was; yes, sir.

Q.—Will you look at this? The statement of the actual cost of the road was put in last Thursday, I think.

Mr. Pooley: What is the number?

Mr. Davis: I have not got the number of it here. These are some notes of my own. I did not have it numbered.

Mr. Yorston: It was put in about a week ago.

Mr. Davis: It was either Thursday or Friday—Friday perhaps; no, probably it was later.

Mr. Pooley: Who was it put in by, do you remember?

Mr. Davis: It was put in by Mr. Tate, so it would be Thursday, I guess.

Mr. Tate: I put it in the last day of my evidence.

Mr. Davis: That would be on Thursday morning.

Mr. Maclean: It was Exhibit 64?

Mr. Anderson: Yes.

Mr. Davis: Yes. Referring to Exhibit 64, you have a copy of it, have you not? A.—Yes, I believe I have.

Q.—Have you one in your pocket? A.—Yes, I have pretty nearly everything there.

Q.—I just want to read it over with you. That statement shows the amount received from the Government as \$16,422,262.42? A.—Yes; practically that, yes.

Q.—And then it shows the amount spent by you—the actual cash as I understand it? A.—Yes.

Q.—That is correct, isn't it? That is what was spent by you? A.—Yes, in connection with the undertaking. Now, there are three changes to be made in that exhibit. It is gotten up in a hurry for the purposes of the Committee, and they have been checking it up since, and there are three changes to be made, and the rest, I think, will turn out to be absolutely correct. It is open, at any rate, to the auditors to check it up and verify it.

Mr. Taylor: What are those changes?

Mr. Davis: The first change is in the item of the Pacific Great Eastern Development Company, \$1,681,500. \$50,000 should come off that; it should be \$1,631,500. This makes no difference in the result, these two changes; and that \$50,000 should be added to the item of \$3,021,933.30 lower down the page, and that item now should be \$3,071,933.30. But off that item of the Pacific Great Eastern Development Company should be taken the sum of \$130,770.28, which should be reduced by that amount.

Mr. Pooley: The disbursements you mean?

Mr. Davis: Yes. That item of \$1,681,500 should be reduced by \$130,770.28. Now, taking these items one by one, so we will understand exactly what they mean, I will just read them. "Supplies purchased, \$2,739,430.01"; what does that mean? A.—Well, I think we are both getting into deep water, Mr. Davis, in explaining this statement, because I am not a book-keeper. All I can tell about it is what I have been told; I cannot go into the details.

Q.—I don't want the details at all? A.—All that I can tell this Committee is what Mr. White has told me, and I have got to believe him.

Q.—I don't want the details at all? A.—Well, this statement here shows the supplies purchased.

Q.—What I am getting at is this: Is that the actual money paid out by P. Welch for Foley, Welch & Stewart for those supplies? A.—Yes, every one of those items down there is actual cash.

Q.—It is actual cash paid out? A.—That is the idea.

Q.—And none of those items include any profits to yourself? A.—No, absolutely none.

Mr. Taylor: That is what Mr. White has told us.

Mr. Davis: Yes, certainly. This statement can easily be checked up by the auditors from their vouchers, and they can produce the books and accounts for everything. Of course, it is subject to any errors that may be found, but we put this in as an absolute statement of the cash paid out by P. Welch, which we can prove to the Government auditor beyond question.

Mr. Taylor: This is Exhibit 64?

Mr. Davis: Yes. I will take now the next item, "Pay-rolls and stationmen, \$4,070,524.09." That is, of course, the item paid out in cash to the men? A.—Yes.

Q.—Now, there is this item I want to ask you about: Does that item of pay-rolls of over \$4,000,000—that does not include any labour for which the men were paid by supplies, does it?

A.—No. We ignored the supplies—the stores; if this were run down properly, it would show a profit—naturally a big one. This is money—may I tell the Committee just what this was gotten up for?

Q.—Certainly. A.—Well, we got the notice over there through the papers and through our friends that there would be an investigation, and the idea struck us that we ought to get at it and see what would come of this. It was charged that we had spent a lot more money than we ought; or, in other words, that we had made a lot of money on the proposition, so we wanted to run it down to see where we were at; and this was gotten up in a hurry, and we show there that we paid out as much money as we received, and what we got in the way of money was what we paid out, and we can show vouchers for it to prove that that is correct, unless there is some mistake in the figures; but it is all shown on there, and I have to accept that statement. I have to believe our book-keepers, and I believe those figures are correct.

Q.—Now, is that in connection with the P.G.E. Railway? A.—Yes, in connection with the P.G.E. undertaking.

Q.—This is a statement from Foley, Welch & Stewart showing the moneys they received from the Government, and showing the cash that they actually paid out. It practically amounts to the same thing. I may say that there is a difference in that amount and the amount that the Pacific Great Eastern received of something over \$2,000,000. As Mr. Tate said, they have their statement after that. The right-of-way, engineering, and so on, were paid for by the Pacific Great Eastern, and those moneys never went to P. Welch at all. I have a statement here that I will put in; what exhibit will it be?

Mr. Maclean: 174.

Mr. Davis: It will be Exhibit 174, showing just how that difference was spent, and how that went out in actual cash and went into the undertaking. I will read it in detail. For instance, "Engineering, \$830,936," and so on; "Right-of-way, station-grounds," and so on, and so on.

Mr. Pooley: Making a total of what?

The Chairman: Well, you had better read that into the notes, Mr. Davis, because it is too much bother to hunt up those exhibits.

Mr. Davis: Very well, I will read the whole thing:—

"PACIFIC GREAT EASTERN RAILWAY.—STATEMENT SHOWING RECEIPTS FROM ALL SOURCES AND DISBURSEMENTS TO FEBRUARY 28TH, 1917.

"Receipts.

"Certificates 1-41, inclusive (securities and interest)	\$18,246,305 84
Certificates 1-6, inclusive (Loan Act, 1916)	989,361 59
Interest additional to that received in certificates	15,450 12
Refund account overpayment Howe Sound & Northern Railway	5,768 76
Capital stock, amount paid up in cash	40,000 00
	<hr/>
	\$19,296,886 31

"Disbursements.

"Engineering	\$ 830,936 00
Right-of-way and station-grounds	364,011 09
Grading, additional to contractor's estimates	5,365 91
Bridges and culverts, additional to contractor's estimates	513 47
Rails, additional to contractor's estimates	1,994 85
Track-fastenings, additional to contractor's estimates	275 13
Ballast, additional to contractor's estimates	1,046 74
Track-laying, additional to contractor's estimates	9 17
Station buildings, etc., additional to contractor's estimates ...	32 60
Water-stations, additional to contractor's estimates	1,603 01
Fuel-stations, additional to contractor's estimates	590 66
Wharves (dismantled and charge transferred). (Deduct.)	3,642 71
	<hr/>

Carried forward \$1,202,735 92

"Disbursements—Concluded.

<i>Brought forward</i>	\$ 1,202,735 92
"Operating earnings (rental industrial sites). (Deduct.).....	12 00
Law expense	3,724 75
Stationery and printing	9,241 07
Insurance	760 70
Interest and exchange.....	1,051,309 98
Howe Sound & Northern Railway purchase	187,299 86
General and executive expenses	171,165 25
Paid contractor (P. Welch) on his estimates	16,422,262 42
Refunded Minister of Finance account, interest	139,207 36
Expended on Peace River Extension	34,458 37
Advanced for right-of-way purchases (repayable)	10,000 00
Accounts due Company	8,883 00
Cash in U.B. of C., Vancouver, at Company's account	55,849 63
	<hr/>
	\$19,296,886 31

"Correct.

"R. D. THOMAS, *Secretary-Treasurer*.

"Victoria, B.C., March 24th, 1917."

I will just hand it to the stenographer. I may say that this statement, which is Exhibit 64, shows contractors' estimates 1 to 45, inclusive. Now, it is necessary to remember the contractors' estimates 1 to 45 cover the Government certificates 1 to 41, and 1 to 6 under the "Loan Act." That is, the number of the estimates to the contractors don't correspond number for number with the certificates of the Government. The Government have 47 certificates; P. Welch has only 45.

The Secretary: Mr. Davis, just excuse me. I think that exhibit is 173 instead of 174.

Mr. Maclean: 173 I was told was the settlement of the sub-contractors.

Mr. Taylor: Well, that accounts for it. We were to mark them up in the room.

The Secretary: Yes, that accounts for it.

Mr. Taylor: This is Exhibit 174.

Mr. Davis: This statement shows the receipt of all the moneys from the Government, and the disbursements are included. The item which Mr. P. Welch is accounted for on his estimate is \$16,422,262.42. That is among the disbursements.

The Chairman: I want to get this clear. Are the expenditures under the "Loan Act" mixed up in that thing.

Mr. Davis: Yes, everything down to February 28th, 1917. This is all the moneys received from the Government. You see, we had to do that to cover everything, our object being solely this: to show, as far as Foley, Welch & Stewart are concerned, that they have not made money out of this, and, on the contrary, have lost money. The point we are meeting is any suggestion that they have made money out of it at the expense of the country. Now, there is just one item in this Exhibit 64 that I would like to ask you about, Mr. Welch. "Paid sub-contractors' finals, \$631,517.96." Now, you might explain what that means—"Paid sub-contractors' finals." What does that mean? A.—Sub-contractors' finals?

Q.—Yes. A.—It is the final settlement of all work done.

Q.—And what does it in substance show? What does that show—profits or what? A.—It shows their profits as far as we know. But it is only natural to suppose that those men who were working on the job for a year or so would naturally have some of their own money in it.

Q.—They would have some of their own money in it. As a matter of fact, what is usual under those circumstances? That is, would they have some of their own money in or not? A.—Well, it depends on just where they are. If they are in a part of the country where they can buy a little hay or oats or provisions cheaper than they can from P. Welch, as it many times happens, they naturally would do it.

Q.—Well, that means all that was made by the sub-contractors on the line, and to be deducted from that would be any moneys of their own that they had put in? A.—Yes, that is as far as we know they are. That is what money was taken off the line.

Q.—And that would be all that would be taken off the line, except what day-wages the stationmen had? A.—Yes, the stationmen's wages. That is all in one item.

Q.—Now, do you know—or would you compare, even if that were all profit, that \$600,000 for sub-contractors—could you compare, or do you want to, that figure with the work done on the Canadian Northern Pacific? A.—Well, if it has any bearing on the question, I don't mind telling you what I know about it.

Q.—Then I will ask you this question. A.—It is not just the proper thing for a man to tell all these things, but there has been a great deal of discussion about that, and it is up to you; if you want me to tell it I will.

Q.—Well, I would like you to, from the point of view of your own interest. I understand that a contractor for various reasons does not like to tell the things that have happened in connection with various contracts that he has had, but if you have no objection, however, you might tell me. You had a contract on the Canadian Northern for how many miles? A.—From Hope to Kamloops, I think it was 160 miles, or 164 miles as I remember it.

Q.—Now, what was the concern called that took the contract? A.—It was the Northern Construction Company and Welch.

Q.—Now, what happened with regard to that 160 miles? What profit did you people take off under that sub-contract for those miles? A.—Well, we took off the last account that I saw of it—but we have not got the thing finally settled up yet, but we took off there something like, say, \$1,400,000.

Mr. Pooley: \$1,400,000? A.—Yes.

Mr. Shatford: Do you mean that was your net profit on that? A.—Yes, from Hope to Kamloops.

The Chairman: It was a lot of money.

Mr. Davis: By the way, something has been said about the profits for track-laying. What about the other sub-contractors along there? How did they manage? A.—They all did well.

Q.—They all did well? A.—We don't know for sure, but they were all satisfied. I do know in a way, but yet it could not be evidenced here. But they made a lot of money, just the same.

Q.—By the way, something was said about the profits for track-laying on the Canadian Northern. What price was that in your contract? A.—What price did we get, you mean?

Q.—Yes. A.—Well, I heard the evidence here, and I think it is correct—\$500 a mile over this portion of the line.

Q.—Now, as a matter of fact, on that particular item you did not make anything, did you? A.—Oh, no.

Q.—How much did that track-laying cost you? A.—I took the trouble here to get a statement from the office as to the cost.

Q.—Yes, showing sometimes how these prices are entirely too high at times, and sometimes too low. Well, what did that track-laying cost you? A.—It is totalled up that that track cost \$833.97 per mile for a mileage of 171 miles.

Q.—That is it? A.—Yes, roughly that.

Q.—And your price was what? A.—\$500 a mile, I am quite sure.

The Chairman: This is the C.N.R. you are speaking of? A.—Yes.

Mr. Davis: It cost \$833.97 a mile? A.—Yes; or we made a loss there of \$333.97 a mile.

Q.—By the way, there is a note at the bottom of Exhibit 64 which I had almost passed over without having you explain. It says this: "From this amount there will be deducted certain collections for goods sold for cash." What was the amount of that? A.—I was told by the boys who had charge of those accounts it might mean \$15,000 or \$20,000, and not more.

Q.—And then you say here: "We have obligated ourselves to the amount of approximately \$900,000 for rails, spikes, etc., f.o.b. Chicago, Illinois"? A.—Yes.

Q.—"In addition the Union Bank loan and any loss in sale of bonds below 80." Now, will you just explain what position you are in in connection with that Union Bank loan, and what loss there is there at the present time? A.—Well, as I understand it, Mr. Stewart made that deal with the bank, and there were a certain amount of bonds that there was not any market for.

Q.—\$6,000,000, wasn't it? A.—\$5,750,000 exactly, or in that neighbourhood.

Q.—By the way, before you get to that; was there ever an opportunity of selling those bonds at one time and you did not sell them then? A.—Yes.

Q.—And what was the reason for that? A.—Well, Mr. Tate can explain that better than I can.

Q.—It is not very important? A.—Well, I understood that there was a market for those bonds at 97, and Sir Richard McBride turned that offer down, claiming he did not want to accept it, as it would hurt the Province to let them go at that.

Mr. Tate: 95 net.

Mr. Davis: Well, anyway, he prevented your selling them? A.—Yes. And Mr. Stewart took the remaining bonds and made a deal with the Union Bank of Canada, whereby they would take them and advance us \$4,800,000, which they did on our guarantee to pay them $4\frac{1}{2}$ per cent. that these debentures call for—the difference between that and 6 per cent.

Q.—Well, they made an advance at the rate of 80? A.—They advanced us at the rate of 80, and then we guaranteed them any loss that there was under 80, and in case they would sell them for much less.

Q.—If they sold for 76, which I understand they are at now, or 74— A.—74.

Q.—You would lose 6 points? A.—Yes.

Q.—And then you had to make good the difference between the $4\frac{1}{2}$ per cent. and 6 per cent. right along, hadn't you? A.—Yes.

Mr. Taylor: I don't think he intends to say that. I think what he intends to say is this: Those bonds are bearing $4\frac{1}{2}$ per cent. on par.

Mr. Davis: Yes.

Mr. Taylor: And the bank took them at 80; that means that they would net, say, 7 per cent. to the bank—the bank would never want any more than 7 per cent.? A.—I don't think, Mr. Taylor, you are quite clear on that. If you are, I am not. We pledged those bonds with the bank, just as you would put up your watch for a certain amount of money.

Mr. Taylor: Well, I have never done that yet.

Witness: No, but I may have to.

Mr. Taylor: That is not a very happy illustration.

Witness: Well, we have an undertaking there, Mr. Taylor, whereby we agree to pay this interest, and make the bank good any loss they would have. And if they have to sell it to-day or to-morrow below 80, we would be at a big loss there to-day.

Mr. Davis: What Mr. Taylor is asking you is about this difference of $1\frac{1}{2}$ per cent. of interest. You see, the bonds are at $4\frac{1}{2}$ per cent.? A.—Yes.

Mr. Taylor: The bank does not intend to sell them every time they go down. They are not investing in them, and they would wait until they went up rather than sell them. They might get 100 per cent. and 7 per cent. besides? A.—No, they cannot get any more than 6 per cent.

Mr. Pooley: I take it, Mr. Taylor, that those bonds were not sold to the bank, were they? A.—No, only pledged.

Q.—They were just put up as security for a loan, and they were valuing those bonds at 80. The bank charged Foley, Welch & Stewart 6 per cent. on their loan? A.—Yes, that is right.

Q.—And in addition to that, Foley, Welch & Stewart had to guarantee the bank, when they came to sell those bonds, if they sold them at anything under 80, that they would make it good.

Mr. Taylor: Yes, I understand that; but bonds guaranteed by the Province need not be sold when the war is on.

The Chairman: They are not collecting guaranteed interest.

Mr. Taylor: Yes, they are collecting guaranteed interest.

Mr. Hall: Well, the auditor is here, and he can tell you what that means.

Mr. Davis: You understand—you are getting 4 per cent. and you are paying only 6 per cent., Mr. Taylor suggests, on 80? A.—Yes.

Q.—That would be four-eighty and the other would be four-fifty, and the only difference would be between four-eighty and four-fifty? A.—Yes, there is the point; but we do pay 6 per cent. on \$4,800,000.

Q.—Yes, but the advance being made at 80 it would not make the full difference of $1\frac{1}{2}$ per cent.—that is quite right.

Mr. Hall: Well, the auditor is here and he can explain it very quickly.

Mr. Taylor: There is a book that gives a quick check-up on that.

Mr. Hall: Well, that is over a period of calculation; this is over a particular number of years.

Mr. Pooley: I would just like to ask Mr. Welch a question further. I would like to know why Sir Richard McBride would not allow them to be sold at 95? A.—He did not think the price was good enough.

Q.—When would that be? A.—That was back in the early part of—it would be 1912 or 1913.

Mr. Davis: Now, apart from what you mention in connection with the Union Bank, is there another item for which you are responsible to them directly, on account of the shortage in the mileage? A.—Yes.

Q.—Just explain that? What is that? A.—Well, it seems as though this bond issue was placed on some 480 miles, and it checks out, in joining it, I was going to say at 476 plus something; it is 476 miles; or, in other words, it is three plus something short, whatever the difference is, at the rate of \$42,000 or \$45,000 a mile, and we are responsible for that. In other words, if we were sold out to-day we would lose there, roughly, about \$450,000 that we are absolutely responsible for.

Q.—Now, here is a further item on this Exhibit 64 which says, "Besides the above, there is considerable outfit not charged against the work." About what value of plant of yours did you use on that work during those four years? A.—Oh, I could not tell you.

Q.—Well, I want some approximate idea? A.—Of the plant that we have used on the work?

Q.—Yes, of your own. You bought some and what you bought is charged up? A.—Yes.

Q.—It states that in Exhibit 64. But your own plant that you put on the work, what would be the value of that, roughly, when it went on, and what is it now? A.—Well, I suppose if Foley, Welch & Stewart had to buy the plant that we put on the work, it would have run up at that time to nearly \$1,000,000.

Q.—I see. A.—But all the outfit we put on the work was not all used on the work. We had a surplus outfit.

Q.—I am only referring to what was used on the work. About what would that run to? I want the Committee to know about what was the value of the plant that was used on that work for which there was no charge made on that statement? A.—There is no charge for that outfit I spoke of.

Q.—And which was supplied free by you? A.—They are not charged anything for it. Now, for instance, there are two items there—steamboats that were used on the river, coming down the river from Fort George. Those things, I think, cost us about \$75,000 apiece, or \$80,000, something like that, and there were steam-shovels and different kinds of stuff. A portion of it was used and a portion of it was not used.

Q.—I see. A.—But if we had to buy it, it would cost us a lot of money to-day; though it is not worth so very much.

Q.—Now, have any of you people ever kept any expense account that you have charged up against either the Pacific Great Eastern or any one in connection with this work at all? A.—Oh, no, no, not a dollar.

Q.—That is, you have not only not received any money for your services, but you have also received nothing for disbursements in the way of travelling expenses, or anything of that kind? A.—No. As a matter of fact, I have never even sent our office a "collect" telegram to pay for it.

Q.—And Mr. Stewart made several trips to the Old Country in connection with this, didn't he? A.—He did.

Q.—And he never put in any expense bill? A.—No, never to my knowledge.

Q.—Now, there have been a number of things suggested in connection with this—say, for instance, in connection with the classification of the work, and that kind of thing. Were you ever made aware of any errors or mistakes, of wrong classification of any kind in connection with this work? A.—Certainly not; certainly not.

Q.—Has there ever been, in so far as you or your people, Foley, Welch & Stewart, are concerned, anything, as far as your knowledge in any way goes, dishonest or crooked in connection with your dealing either in the Pacific Great Eastern Railway or the construction-work on the road? A.—Certainly not. There never was anything handled in a more honest, conscientious manner than I know of than that very line, in every conceivable way.

Q.—That is all, I think.

Mr. Taylor: Mr. Welch, I understand that you were not expected, according to your idea, to invest any money in this railway at all. That was your first arrangement with Sir Richard

McBride, that you were not expected to develop this country out of your own pocket? A.—Well, Mr. Taylor, I did not want you to get this impression, but what I wanted to impress upon you was that Sir Richard McBride did not expect us to put any large amount in there.

Q.—I took your evidence that you told Sir Richard McBride that you did not think the line could be built for \$35,000 a mile? A.—Yes.

Q.—That was the amount of the guarantee bonds? A.—Yes.

Q.—And then you got \$7,000 more a mile? A.—Yes.

Q.—And in March, 1914, by the Act there was provision made whereby you were given \$42,000? A.—Yes.

Q.—Did you tell Sir Richard McBride that you thought it could be built for \$42,000 a mile? A.—No, I did not advance any idea of the cost at all.

Q.—I understood you to tell Mr. Davis that you told Sir Richard McBride that, and he told you that you wanted to have good contractors? A.—Yes, good strong people.

Q.—He did not expect you to put any money in to develop the country? A.—No.

Q.—With your own money; he did not expect anything like that? A.—No.

Q.—Now, that was your statement to Mr. Davis. What do you wish to explain now about your statement? A.—Well, I want to explain this: that it was Sir Richard's meaning that he would expect us to carry that work along, and put a little money in it, and what we could not put in he would furnish. That was my understanding.

The Chairman: What was that last remark you made? A.—What we were unable to carry along, he would.

Mr. Taylor: He expected you to put a little money into it? A.—Yes.

Q.—That is very indefinite? A.—I know it is.

Q.—That was not the way you stated it to Mr. Davis, but we will get it as you say now. Now, what was said as to the amount of money you should put into it? A.—There was not anything said.

Q.—There was nothing said? A.—No, there was nothing said about it.

Q.—That is not the kind of a bargain that you would make with another man, is it, who was building a railway for you—that you would furnish a certain amount of money, and would say to him: "Well, I guess you had better put a little money in yourself," and let it go at that; "if you cannot put as much as you expect, why, we will let you out." Now, is that the kind of a deal this Province made, through its responsible Ministers of the Crown, with a railroad company, that involved this country in an expenditure of \$28,000,000? A.—Well, we put all the money in there that we could under that condition, and I don't see there is anything wrong in it.

Q.—That is the basis of a very important point, and that stands at the threshold of this whole story. Now, I would like to get the exact situation, and the exact contract, that these Ministers of the Crown entered into with you, as responsible contractors and responsible men, in a deal the magnitude of which this Province has never thought of undertaking before, amounting to some \$27,000,000 or \$28,000,000. Is that the way the deal stood, and nothing more; and nothing in writing? A.—Excuse me; is that the question, Mr. Taylor?

Q.—Yes, that is the question. A.—Well, I am sorry; I did not understand you.

Q.—That is all right. A.—Well, the deal—you have looked over the deal—that is, the deal that we made with the Government. It is clear enough, and I am not trying to evade that in any way.

Q.—That is your evidence. Then we have the deal that the public is supposed to see. This is in Schedule A to the Act of the 27th February, 1912, and the contract is dated the 10th day of February, 1912, and is attached to a solemn Act of the Legislature, approved by the representatives of the people. Now, it tells a story that is absolutely different to yours; which is the correct one—yours now or the one that was given to the people? Which is the correct one—the story you told me as agreed to with Sir Richard McBride, or the story that is contained in this solemn contract form with the Legislature of British Columbia? A.—Well, I have given you my part of the contract, just as I understand it.

Mr. Pooley: Now, as I understand it, you were not a party to all these interviews with the Government in connection with this contract? A.—No; just that one interview.

Mr. Taylor: That won't do, because you signed this Schedule A to the Statute of February, 1912, personally, and J. W. Stewart signed it personally, and Timothy Foley signed it person-

ally? A.—Yes, that is true; but I signed it without reading it, like a great many other documents I have signed.

Q.—We will take your answer that way. Here is a \$27,000,000 contract you signed without reading, knowing it was going to the Legislature of British Columbia for ratification; is that true? A.—Yes.

Q.—What was the sense of signing it without reading it? A.—Well, I don't know. I am not familiar enough with those things, but I went into that thing and signed it, and I am not evading any responsibility therein, anyway.

Q.—Don't understand me as criticizing you in the slightest degree. I am simply eliciting facts. I am somewhat surprised to hear the position you put forward to Mr. Davis? A.—Well, that is the true position.

Q.—Well, now, take it from me, and I think you will agree with me, that does not in any way coincide with the solemn agreement of Schedule A signed by you, and entered into with the people of British Columbia in the name of his Majesty the King, represented by the Honourable Sir Richard McBride, of the first part, and you people, Foley, Welch & Stewart, of the second part, which you therefore signed with the people of British Columbia. Now, there in that document you contract solemnly to see that a Company is incorporated, and to see and guarantee that that Company builds that road, and equips it and operates it, and you therein contract that that Company shall use \$25,000,000 of its shares towards the building of that road, the same as any other company would contract; and there is nothing said about the Province doing anything more than guarantee your bonds; that is, in other words, being secondarily liable and not primarily liable upon your bonds to the extent only of \$35,000 a mile. Now, that is the contract which you say, or your counsel will say, is correctly stated by me. But that is not the contract you say you made with Sir Richard McBride at all, and which you are putting forward, through Mr. Davis, in evidence as something which you want the Committee to determine in settling your rights or wrongs in this whole proposition. Which one of the positions do you wish to adhere to—the contract in Schedule A or the deal that you made with Sir Richard McBride? A.—The evidence which I gave in referring to the conversation with Sir Richard McBride is true as I understood it.

Q.—Which one do you wish us to take as the binding Government contract in this transaction? A.—Well, really, Mr. Taylor, I don't see how I can answer that question. I have told you that we have done all we can and we have gone into it as far as we can go. We have spent all the money there that we can spend on the thing.

Q.—All right. I will put another matter before you. Take Exhibit 49, which was written after you had been building this road for two years. It is a letter addressed to F. C. Gamble, Chief Engineer, Department of Railways, dated October 26th, 1914, just exactly after you had been building for two years. His Honour the Lieutenant-Governor, who holds a very responsible position as you know, and to whom the truth must be told, was told this by your letter, which comes from Mr. Tate, the vice-president of your road. I will read that letter to you. It tells also a different story to what you told Mr. Davis, and it is consistent with the contract in Schedule A to chapter 34 of the Statutes, dated 10th February, 1912, which was an Act to ratify an agreement of 10th February, 1912, between the Government and your firm, and it is inconsistent with anything else. Now, Exhibit 49 reads as follows:—

"October 26th, 1914. F. C. Gamble, Esq., Chief Engineer of Railways, Victoria, B.C. DEAR SIR,—Referring to our progress estimate No. 26 for the month of September, that is still awaiting the signature of his Honour the Lieutenant-Governor, and the question raised by him as to the volume of unfinished work, and the amount of funds available for its completion:—

"First, I beg to advise that upon clear representations made to the Government at Ottawa, as to the position of the Company and its inability to raise money now on account of the German war, appreciating the disastrous effect a temporary suspension of our work would have on the prosperity of the whole community and upon the credit of the country at large, the Federal Government came to our assistance, assuring us sufficient funds for the continuance of the work.

"Answering the point raised by His Honour in regard to the balance of moneys necessary for the completion of the line beyond the proceeds of the sale of guaranteed securities, I beg to assure you that these will be forthcoming when required. The work is being conducted in the most economical manner with a view to a complete utilization of the whole line on the date set in

our agreement with the Government, and to ensure this the Company has furnished security to the satisfaction of the Government as provided by the said agreement.

"To raise in any manner howsoever the entire funds necessary for the purpose of a large undertaking before the commencement of the work would result in adding an unnecessary burden of interest to its cost. Such financing would prejudice the undertaking from the start, and increase the cost at which any money would be available, if, indeed, a firm of underwriters could be found who would identify themselves with such ill-advised operations.

"With the assistance of the Government's guarantee, we were enabled to raise funds at a cost of slightly under 5 per cent. It must be evident that without this support in the money market, even under normal conditions, such money would have cost us not less than 6 per cent. Assuming that to complete the line the Company will have to find \$8,000,000 after exhausting the proceeds—" "Assuming that to complete the line the Company will have to find \$8,000,000, after exhausting the proceeds of the guaranteed stock issue, to have obtained this money at the commencement of the work, at, say, 6 per cent. would have resulted for the two and one-half years it was not required in an added interest charge of \$1,200,000 without benefiting any one.—Yours truly, Vice-President."

It says here, answering your question with regard to the money raised for the completion of the work, which His Honour the Lieutenant-Governor was awaiting information upon, "I beg to assure you that these will be forthcoming when required"; and then he goes on very properly to argue (very properly from his standpoint to argue), why should the Company out of its own funds raise money before it was needed? Why have the money under interest at the bank before it was needed? "You can take it from me, Mr. Gamble, and tell the Lieutenant-Governor" (that is practically what he says here). "Take it from me, when those moneys are necessary—that \$8,000,000—it will be forthcoming." Now I would like to know what you say about that letter written in the middle of the story, in October 26th, 1914, and which is consistent with the guarantee, and consistent with the *bona-fide* feature that the Company will pay something towards the construction of this road, besides this Government. What have you to say about that? A.—Well, I say that we are unable to carry that agreement out. We cannot do it.

Q.—No; I am not dealing with that. I am dealing simply with the statement you put in writing, that you recognized it was your duty to raise the balance of moneys over the guarantee; and now you tell us that Sir Richard McBride told you that you need only put in certain money, just as you felt like it, and if you didn't he would put it in, as you were not expected to develop this country out of your own money? A.—Those are the words that he used.

Mr. Pooley: That was a preliminary conversation, as I understand it, before this contract was made? A.—Yes, that was a preliminary conversation.

Mr. Taylor: Well, that was given as a basis for his not doing it. And this letter is inconsistent with it, and this letter is inconsistent with the basis of that understanding and your Schedule A contract. Now, do you think that you relied on that statement of Sir Richard's or that you understood him correctly? A.—Yes. We certainly did place some assurance on it, that in case we got stuck there he would aid us, which he did afterwards.

Q.—With \$6,000,000? A.—Just excuse me, Mr. Taylor. And we also had a good reason to believe that we would get a handsome revenue from the sale of those townsites and from the development of the Pacific Great Eastern Development Company's lands.

Q.—That is a different promise. Sir Richard gave you more in March, six months before this letter was written, and then he came forward again in 1916 and gave you a loan of \$6,000,000; he was true to what you say was his promise. Whether that was his promise or not, he did those things, and you at the same time kept your position clear by the contract in this letter and by the "Loan Act." You assumed responsibility for the loan; you guaranteed to return that loan, and you in this letter were to raise the money yourself. Now, don't you think you rather wrongly stated the situation in that conversation that you detailed with Sir Richard McBride? A.—No, Mr. Taylor, I did not. This letter of Mr. Tate's, I don't know anything about it.

Q.—Very well. But, notwithstanding Mr. Tate's letter, and notwithstanding the solemn contract of the 10th day of February, 1912, that you made with the Government, do you still think that you were not to put your own money into this undertaking? A.—I certainly don't

think so. We put in all we could, and we carried it out as well as we could, and we have a right there to expect aid from the Dominion Government.

Q.—I just want to show you the inconsistency of the position you were taking at that time. The very next day Mr. Tate—the very next day after Mr. Tate wrote that letter of October 26th, 1914, he sent a wire to the Honourable Mr. Bowser. The ink was hardly dry on Exhibit 49 before he sent this wire, Exhibit 50, to Mr. Bowser, and I would like you to explain what it means if you can: "Vancouver, B.C., October 27th, 1914." He had gone over there to where your head offices were, apparently. "Honourable W. J. Bowser, Attorney-General, Victoria, B.C. Work is on verge of shutting down, and unless estimate is paid to-day I cannot possibly hold the situation any longer. This month's bills all overdue and men clamouring for their wages. Of course, you understand, if camps disbanded now, work cannot resume this winter. It is matter of hours here now until result is reached one way or the other. You will also understand that if these 6,000 men are turned loose it will be without payment of their wages, and you can imagine the trouble that will ensue. In view of fact that I am alone now, with Welch and Stewart both absent, please endeavour to relieve situation.—D'ARCY TATE." Have you any explanation to make with regard to those two documents? A.—What date is it?

Q.—This one is October 27th, 1914. One says, tell the Lieutenant-Governor (Exhibit 49)—it says, "tell the Lieutenant-Governor there will be no trouble about passing out the guarantee funds to us, because our part of the money will be forthcoming when it is needed"; and the very next day this wire from D'Arcy Tate says, "If you don't pay out money we will shut her down." A.—About the letter that Mr. D'Arcy Tate wrote, I cannot make any explanation of that because I did not write it; and about the telegram, I did not write that either, but I do know a little something about it. At that particular time, along the latter part of 1914, we had a large force of men on the work, and it would have been wrong for us to carry on that thing beyond a sufficient time to meet those pay-rolls. There would be an awful mess if we could not meet the men's wages, and I called Mr. Tate's attention to that, that we would not carry on that work a day longer when we have to go into our own pockets and dig that money up ourselves. That is the only way I can explain it.

Q.—And the next day he got about \$1,000,000 out of the Province; I just forget the exact amount. As a result of that letter—as a result of that telegram, he got so many millions out of the Province. But you were not here at the time.

The Chairman: Doesn't that corroborate Mr. Welch and show that while the Lieutenant-Governor was being given that position as being the true facts, at the same time these facts were given to the Government, and they were willing to let it go on on the basis of the contract.

Mr. Taylor: Exhibit 49 to Mr. Gamble is something to tell the Lieutenant-Governor, and Exhibit 50 is to Mr. Bowser, and it says there, "We will shut down the work with 6,000 men without their wages paid, and you know what will happen under those circumstances." Now, how do you justify conduct of that nature? There it is—a letter of the 26th and a wire of the 27th of October, 1914. One letter recognizes your solemn duty under the contract to the people of the Province of British Columbia, and the other is telling them to open the public chest or "we will turn 6,000 men loose on you." How do you justify conduct of that nature? One is practically to the Governor, or intended to be, and the other is to the Minister of the Crown that you have been dealing with throughout, and both inconsistent with each other? A.—I have no other answer to make to that question, other than what I have given you. I cannot answer it.

The Chairman: It shows that the Ministers of the Crown were getting different information from what the Lieutenant-Governor was getting.

Mr. Taylor: An entirely different position was being taken in regard to it.

Mr. Pooley: I do not think Mr. Welch has made any statement yet that he wishes to evade his obligations. He simply says he did not have the money in the bank, and therefore could not pay the wages.

Mr. Taylor: I think I have given Mr. Welch a fair opportunity to explain the matter. He is a man of large experience, and will answer it no doubt as fair as his conscience will permit. Now, another position that you took was with regard to the building of this road. That was that you had certain data, and hence you could fix your prices without having preliminary surveys; that you had the data of the Howe Sound route; that you had the preliminary of the Grand Trunk Pacific, and hence you could fix your prices without having a preliminary survey or profile made. Now, did I correctly understand you in that position taken by you with Mr.

Davis? A.—Why, I think so. I stated there that Mr. Stewart was much more familiar with that road than I was. He had passed up and down over it, and he had seen those preliminary profiles of the Grand Trunk Pacific, and I assumed that he had a knowledge of the situation.

Q.—Just one thing at a time, please. Will you say that you had the Howe Sound route data at that time, or not for a considerable time afterwards? A.—Well, really, I could not say; but it seems to me that he did tell me that he had it.

Q.—Another thing I want to ask you is, will you say you built the road anywhere near where the Grand Trunk Pacific had their preliminary survey? A.—No, we are away from it.

Q.—We will deal with that subject-matter. In 1912, when you got your charter, that road was to go in a certain location as contained in that agreement dated the 10th day of February, 1912, paragraph 4. It is Schedule A of the agreement, paragraph 4. It was to be taken and continued north-easterly to Lillooet on the Fraser River. I will read back again so that you will get the full purport of it: "A line of railway from the City of Vancouver to the City of North Vancouver, and thence running north along the margin of Howe Sound; thence following the general course of the Squamish River, and continuing north-easterly to Lillooet, on the Fraser River; thence along the bank of the Fraser River north to a junction with the Grand Trunk Pacific Railway at or near Fort George, a distance of 450 miles," etc. That was the preliminary survey of the Grand Trunk Pacific, wasn't it? A.—Yes, I think so. It was on the west side of the river there.

Q.—Then you came back in 1913, and you had the Statute changed to read as follows: "Thence following the general course of the Squamish River, and continuing north-easterly to Lillooet, or vicinity thereof, on the Fraser River, and thence continuing in a general northerly direction by the most feasible route to a junction with the Grand Trunk Pacific Railway at or near Fort George"; leaving the bank of the Fraser River. Therefore you did not have information of that location that was actually built later, at the time you made your contract, did you? A.—No, we did not; and that line could not have been built along the bank of the river. You could not maintain it. It would be absolutely impossible.

Q.—You fixed your prices along the bank of the river, which you say you found out afterwards; and Mr. Stewart would have had some knowledge then of the difficulties, and the expensive difficulties connected with the construction there, wouldn't he? A.—Yes.

Q.—But, notwithstanding that, you fixed your prices on the basis of those expensive difficulties, and then the next year you had the route changed to a place where the route was less difficult; but the same prices remained for it? A.—There is not any question, Mr. Taylor, but that line is built where it should be.

Q.—I am not talking about that, Mr. Welch; I am talking of the price. You fixed it later for an easier and better route for yourself? A.—From a contractor's standpoint?

Q.—Yes. A.—No, no, no.

Mr. Pooley: I understood you to say that it was from a maintenance standpoint that the Fraser River line was impossible? A.—You could not build it. There was not enough money to do it. I don't mean it really, but there is not enough money available. I don't know what it would cost. But from a contractor's standpoint it would be the best piece of work imaginable.

Mr. Taylor: And you got a far inferior work when you went to this new location, did you? A.—That does not require any explanation, Mr. Taylor, because it is so ridiculous. The best piece of work would be up that river.

Mr. Pooley: That is from a contractor's point of view? A.—Yes.

Mr. Taylor: If that is correct, why didn't you change your prices with the Railway Company when you got this new location? A.—I don't know, Mr. Taylor.

Q.—Now, on that line you dealt with some of these sub-contractors. This is on the question of the possible profits that could be made? A.—Yes.

Q.—You said that Byrnes, Jordan & Welch and these other contractors that were specially named were given sub-contracts on the basis that they should be allowed to make a certain amount of money? A.—Yes.

Q.—\$20,000, or \$25,000, or \$30,000 each? A.—Yes.

Q.—And you said that those fellows, if they had been paid on their own unit prices, would have made over \$100,000 each? A.—So I have been told.

Q.—Exactly. A.—Don't misunderstand me now. I think I made the statement that had Byrnes & Jordan and Griffin & Welch and those fellows been paid on the same *pro rata* classifica-

tion that they paid the stationmen off, that they would have made \$100,000 apiece or probably more.

Q.—At the unit prices, I mean? A.—With the same classification.

Q.—Now, their unit prices are attached to these exhibits. What are they—sub-contractors' settlements, contractors' settlements—we have the sub-contractors' contracts here of Byrnes, Jordan & Welch.

Mr. Maclean: The contract or the settlement?

Mr. Taylor: The contract. They are all attached to the one exhibit.

Mr. Davis: That is the stationmen, isn't it?

Mr. Taylor: No. Byrnes, Jordan & Welch, and we have got attached to that their prices with you? A.—Yes.

Q.—On which they were able to make \$100,000. And the bite of the matter is, how much could you have made if they could make \$100,000 at these unit prices mentioned here: Grubbing, \$200 instead of \$300; excavation earth, 25 cents instead of 32 cents; excavation cemented material and hard-pan, 35 cents instead of 50 cents; excavation loose rock, 35 cents instead of 55 cents; excavation solid rock, 90 cents instead of \$1.45 to you, etc. Now, if they were able to make \$100,000 on those prices, which were less than you were given, what could you make? A.—I have told you already, or have tried to, that we have made a big profit on this work. If you will give me an opportunity I will try and explain it to you.

Q.—Certainly.

The Chairman: Proceed.

Witness: Let us suppose now, for instance, that we were *bona-fide* contractors; in other words, that Foley, Welch & Stewart subbed from Foley, Welch & Stewart—let us suppose they were all the same thing, and let us suppose the prices that P. Welch got for the Pacific Great Eastern are quite right, and that they correspond with the Grand Trunk Pacific prices; now, then, let us assume that we got fair treatment from the Government engineer and from Mr. John Callaghan. Let us say that all those things worked in together, and I was an outside contractor. I would have likely made between \$3,000,000 and \$4,000,000, and would have walked off this line with that money. Now, then, I am not. Foley, Welch & Stewart are in this thing, and with that \$3,000,000 or \$4,000,000, or whatever it is, we have turned around and paid between \$600,000 and \$700,000 for the Pacific Great Eastern equipment which was absolutely necessary, and then it cost us \$1,500,000, say, for the Pacific Great Eastern Development Company. That is all paid for. And it has cost us nearly \$600,000 to maintain and clean out our supplies and stuff and operate that little line. Now, all those little amounts are put back in there again, besides a bunch of stuff of our own, and we have not made a dollar out of it. Now, there is the position. If I am right, assuming we got fair treatment, and I was an outside contractor, then the Pacific Great Eastern has got full returns for every dollar that they paid out, and now they are in the position where they can grab all this stuff and take it all away from them, and I can go out of the country—instead of worth \$3,000,000 or \$4,000,000, as an independent contractor would go out, I will go out broke.

Q.—According to your position, outlined in Exhibit 64, you would not go out broke, even if everything you said just now is true, without cross-examination. You would still have a profit, according to Exhibit 64, of \$162,000. You would not go out broke, if everything you have said is correct as contained in Exhibit 64? A.—Which is that?

Q.—“Revenue as per above estimate, cash, \$16,422,262.42.”

Mr. Davis: No; that is the other way around.

Mr. Taylor: I see what you mean; that is right. “Disbursements, \$16,524,307.66”; and then, “Revenue as per above estimate, cash, \$16,422,262.42.” But I am coming to Exhibit 64 by itself later. Yes, I see what you mean. Mr. Tate is right. You are ahead of the game even here, because you have taken off \$139,770 from one of your disbursement items, which would leave you ahead of the game \$28,000-odd.

Mr. Davis: But then there was the plant and the liability to the Union Bank.

Mr. Taylor: However, we will simply discuss Exhibit 64 by itself. Your position is simply stated as this; that you have put back into the Pacific Great Eastern Development Company, that land company or townsite company, certain money, which has not turned out as profitable as expected as a real-estate investment. You have put a large amount of your profits back into it, together with the Pacific Great Eastern Equipment Company, which is for plant for

operation, and the operation of the plant that you are operating. That is right, isn't it? A.—Yes, I suppose it is.

Q.—Otherwise you could have kept that profit yourselves if you had not invested it in that land company? If times had not gone bad and made your investment rather a drag now on the market, you could have had a big profit out of your prices which you charged in the construction of this railroad? A.—Yes, had we been an independent contractor.

Q.—Yes, exactly, had you not reinvested in these other things. A.—Had we been an independent contractor.

Q.—Well, you did not need to be that. You would have had it if you had not invested your money in these other things, wouldn't you? A.—But they were absolutely necessary, Mr. Taylor; absolutely.

Q.—You think the Pacific Great Eastern Development Company was necessary? A.—Yes.

Q.—We will have to go into that Exhibit 64 by itself. I think it is a long story to take up with you. You say it was prepared by Mr. White? A.—Well, Mr. Taylor, I have told you about that statement, all I know about it. Mr. White assured me the total amount as stated there was right.

Mr. Pooley: That statement was compiled from your books by the accountant? A.—Yes. And I have got to believe him, and any statement I could make about the different items there would not cut any figure in them, because I don't anything about them.

Mr. Taylor: There is another feature I want to take up with you. You said from the very beginning that the Government knew, and you knew, that the P. Welch named in the contract was actually Foley, Welch & Stewart? A.—Yes; I believe that they did, yes.

Q.—What was the reason that it was put in your name? What is the reason you resigned as a director just a few minutes before the contract was given you? Wasn't it so that it could be put in your name? A.—Well, there is where I can get back at Mr. Tate now. I can get even with him there.

Q.—I don't care who is the nigger in the fence. A.—He told me, according to the by-laws, that I could not act on there as a director; he said that Foley, Welch & Stewart could not take the contract themselves, and he advised me to resign and take the contract.

Q.—But Mr. Tate knew, and you knew, that Foley & Stewart were just as much in the contract as P. Welch was? A.—Yes.

Q.—Now, will you tell me why, when you varied the contract as to surfacing A and surfacing B, and as to ballasting, why it was necessary to go through the farce or fiction of writing this letter from J. W. Stewart as President to John Callaghan as Chief Engineer, stating that the Company and P. Welch solemnly accept that, when it was the same Company, just like two peas in a pod? A.—What date is that?

Q.—This is Exhibit 116 and is dated November 20th, 1915. Do you want to see it? A.—No. I was not here then at the time, I don't think.

Q.—You signed it. Just let him see the document there? A.—I don't remember it now.

Q.—It was signed by P. Welch.

The Chairman: It purports to be signed by him.

Mr. Taylor: Is that your signature? A.—Yes, indeed it is.

Q.—And that is J. W. Stewart's signature? A.—Yes.

Q.—Now, there is a document that could have no earthly significance except to preserve what now appears to be a farce—a fiction. That document purports to show to some person that P. Welch has nothing to do with the Pacific Great Eastern Railway, but that he is making an independent solemn contract with the president of that Company, and they drew up this agreement, and they both sign it in their separate capacities—you as contractor, and he as the owner or the president of the Railway Company. Now, what was the reason behind all that for carrying on that fiction? That is what I want to know. That is all we are interested in, because it seems to go to the root of the whole matter? A.—You mean why the whole proposition was not called Foley, Welch & Stewart straight out to start with?

Q.—If you knew it, and the Government knew it, what were you preserving this fiction for? A.—Well, I have given you the very best explanation I can.

Q.—In 1912 you quit that Company, thus showing the Company you decided to take the contract with them; and the other remaining parties in that Company were Foley and Stewart; the remaining members of the Company were merely wooden men, with great respect to the

gentlemen; they were only there to fill the gap. Now, you three men put up the \$40,000 for shares in the beginning. This work goes on for three years, so we must assume that this fiction was preserved throughout these three years. Everything indicates it. And then on November 20th, 1915, we have the fiction repeated again. Absolutely consummated—practically stamped, signed, and sealed, in the form of this letter. Now, there must have been a purpose for doing that; what was the purpose? It goes right to the root of the whole thing? A.—There never was any reason that we should do that, only as a matter of convenience to ourselves, and, as Mr. Tate said, to conform with some rule or regulation that I don't know anything about.

The Chairman: Wasn't this all done to conceal the real fact from the public? A.—I beg your pardon?

Q.—Wasn't it to keep it from the public knowledge? A.—Oh, no. Why should it be?

Mr. Taylor: That is what we are asking you? A.—One reason, and a very good one, is—you will understand me, I think—we did a lot of work for the Grand Trunk Pacific with headquarters up at Fort George, and half of this work was done from the Fort George office. Now, supposing the Grand Trunk Pacific was run as Foley, Welch & Stewart, and the Pacific Great Eastern was run as Foley, Welch & Stewart, with the same offices there, and we had accounts coming in for both lines, how were you going to separate those accounts? I don't mean that was the reason for it, but that is one reason.

Q.—If Foley, Welch & Stewart were the Pacific Great Eastern, as you have told us this morning, why conceal it? They have to build this road, haven't they? A.—Yes.

Q.—And if they were the parties to this contract, why was it necessary to have unit prices at all in the name of P. Welch or any other name, except with their sub-contractors or their stationmen? Why was it necessary, as far as they were concerned, to have unit prices? Wasn't that for the purpose, as I said before, of unlocking the public chest, according to a certain rule, for a certain amount? Those unit prices were for the purpose of getting at the public chest to that extent. Now, had it any other purpose at all? You see, that also comes to the bottom of this whole inquiry. Now, it is up to you to explain why all that was done. It is a fiction now, as you can see. Why was it done? A.—Mr. Taylor, it is very hard for me to explain that. Let us look at it in a reasonable way; we will go further and suppose we cut out the sub-contracts and eliminate it to stationmen and get the prices away down—

Q.—No, we cannot do that at all. That is not my point. You don't understand me. If the Pacific Great Eastern, and Foley, Welch & Stewart, and P. Welch, as we have been told it was by you and by Mr. Tate after several days of cross-examination, are all the same concern, what purpose was there in having a schedule of unit prices with P. Welch at all, except for the purpose of having something before the public which would serve as a guide to unlock the public chest for that moment? A.—Oh, this public chest business I don't know anything about.

Q.—In other words, the guaranteed funds. It was paid out of the guaranteed funds, and those unit prices gauged the amount which you would get from the Government. That is what the Government or the Lieutenant-Governor would go on, assuming that P. Welch resigned as director of the Company and had nothing to do with this Company, and he was an independent contractor, whereas, in fact, he was not. Now, you see the whole real purpose, after getting all the facts out that those unit prices had nothing to do with you except to establish the amount that Foley, Welch & Stewart would get out of the public funds, and get out of the people of British Columbia? A.—We have tried to show where that money went.

Q.—I am not arguing that. That is beating the devil around the bush by saying you did not make much money out of it, because you put it in "some other investment." We are trying to get at why this trust has been handled in this way by the Government, and it does not make any difference whether a man loses his money in it or not? A.—Well, Mr. Taylor, if you talk to me for a month I could not make any better explanation. I have tried to tell you what I believe.

The Chairman: Are you familiar with clause 9 of Schedule A of this contract? It is the clause that deals with the trust funds? A.—No, I am not.

Q.—Just let me have it?

Mr. Taylor: That is the proportion clause. I will read the one to you.

The Chairman: It is clause 9 of Schedule A.

Mr. Taylor: Page 194.

The Chairman: It is the clause that provides that these moneys shall be paid into the Union Bank into a trust fund? A.—Yes.

Q.—And they shall be paid out to the Pacific Great Eastern Railway *pro rata* as the work progresses? A.—I have heard about that.

Q.—You are familiar with what it means? A.—I am not familiar, but I know about it.

Q.—What I am getting at is this: Apart from the operation of that clause, had your schedule of prices as set forth in your contract between yourself and the Pacific Great Eastern Railway any significance at all? A.—I am sorry I did not get you. I am sorry.

Q.—Except as a basis to operate that clause on, was there any possible significance, or meaning, or reason for your having a schedule rate with the Pacific Great Eastern Railway? A.—Oh, I don't know; I cannot tell you anything about it.

Q.—You can appreciate that it was of great importance, either for or against the interest of the Province, to have that schedule of prices correct in order to work out section 9, can't you? A.—No, I cannot answer that. I don't know enough about it. Mr. Tate and Mr. Stewart handled that, and I knew a little something about it, but nothing of any account. I know there about the charges—the overpayment of \$5,000,000 or something like that; they say we paid it out wrong, and we received that money, and, as a matter of fact, it all went back into that work; and if the money had laid there in the bank it would cost you twice that much to-day to accomplish what is accomplished there to-day by having used it. We had to keep that work going the best way we could.

Mr. Taylor: Whether it would cost twice as much or not would be determined by that tabulated statement, which will show what you had to pay for doing the work.

The Chairman: Supposing there were \$3,000,000 profit, it all came out of the trust fund, didn't it? A.—It came from the Government.

Q.—Out of that trust fund? A.—Yes.

Q.—Now, supposing, instead of that \$3,000,000 being put back into the Pacific Great Eastern Development Company and the other subsidiary companies, it had gone into the construction of the road on the basis of what it cost you, and not what it cost the Pacific Great Eastern Railway, wouldn't there have been \$3,000,000 more work done on that road? A.—Yes, I think that argument is good; but against that argument you have to have money to purchase your equipment. You cannot lay that track and haul it back and forth without money.

Q.—But you had your equipment there. You were going to contribute that much as your share in the building of this road? A.—Well, we have put everything we can into it, and we have told you again and again that we cannot carry it out.

Q.—Well, what I am getting at is this; that the way you applied this money, it went into the subsidiary companies? A.—Yes.

Q.—Instead of directly contributing to the construction of this road. Now, what I am putting to you is, from the public standpoint, if all this money was to go into the construction of the road, why it did not go into that construction instead of into those subsidiary companies? A.—Well, I don't know. We did at that time what we supposed was the right thing to do, and that is all that I can tell you.

Mr. Taylor: Well, that doesn't get us very far, Mr. Welch? A.—No, I know it doesn't.

Q.—Now, just digress for a second. We were talking of Byrnes, Jordan & Welch and their prices, and the profit they would have made; but they were reduced to \$36,000. Did E. F. White have anything to do with Byrnes, Jordan & Welch? A.—I really don't know.

Q.—E. F. White had your power of attorney, hadn't he? A.—Yes.

Q.—And he was a director of the Pacific Great Eastern throughout this time? A.—Yes, as far as I know.

Q.—Now, this settlement sheet you produced of Byrnes, Jordan & Welch shows that they were to get \$36,000, and it was divided between them as follows: Byrnes, \$6,000; Jordan, \$6,000; Welch, \$6,000; and E. F. White, \$6,000? A.—Yes, he would have an interest.

Q.—And E. A. Rankin, \$6,000; and Kellett, \$6,000. Therefore some of the directors of the P.G.E. were interested with the sub-contractors in their contracts, and E. F. White was the man who signed a cheque to himself and these other parties? A.—Well, that was all regular. He has signed cheques for me for twenty-five years.

Q.—He signed these very cheques, didn't he, that went to these other men? A.—Yes, certainly it is right; why shouldn't he?

Q.—I am not saying it is wrong; I just want the fact. And then, in addition to that \$36,000 which they were to get according to the contract, I see they were allowed, when it comes to November 11th, page 65 of Exhibit 91—that is how it is marked. But on this exhibit they were allowed cash withdrawals, in addition, to the amount of \$12,000. A.—Yes; that was supplies that they had taken down after they had finished up on the G.T.P. which were not used there, and it was used on the Pacific Great Eastern.

Q.—It is all these figures here—even figures—\$35,000 plus \$13,000—total, \$48,000; deduct balance of \$12,000—\$36,000; and that is divided in even amounts of \$6,000 each amongst those gentlemen I have named, including the directors.

The Chairman: How do you spell your "cents"?

Mr. Taylor: Yes. Well, it is that feature of evenness that leads me to ask you a question. It is a common practice among the main contractors on railway structure to have an interest in their sub-contractors' profits; and although it is kept in separate accounts, they divide that profit with the main contractor. Now, did you have any profit in the profits of the subs? A.—Not a solitary dollar.

Q.—It is not a wrong thing to do. I am only asking you if you followed that practice with the subs of sharing in their profits? A.—Not a solitary dollar; not in any way, shape or form, I have not.

Q.—But you know it is a common practice in railway-work? A.—I know of it being done, and I have done it myself on other jobs; but surely not on this job.

Q.—There is nothing wrong in it. But you did not know that Mr. White in this particular instance was interested with the sub-contracts—a man who was holding your power of attorney? A.—I did know that he was interested in another piece; that was with Rankin just north of Lillooet. You will find that there is another place.

Q.—I have not got that before me yet. Now, what was the reason you entered into this contract before even the specifications were prepared? We have got it as a fact that you entered into it before you knew where the road was going to go even? A.—Yes.

Q.—And you fixed your prices before you knew where the road was going to? How did you fix your prices; and why did you enter into your contract fixing your prices before you had your specifications prepared? A.—Well, the fixing of the prices before the specifications were prepared was taken care of in this way. Mr. Stewart and myself agreed that the specifications would be something like what was in force on the Great Northern, or the Northern Pacific, or the G.T.P., or the C.P.R. Any of those forms is fair, as a rule. They are all considered fair; and it is just a question which you will take.

Q.—It had to be settled between you and the chief engineer—those specifications, according to your contract, Exhibit 3? A.—Well, I think Mr. Stewart told Mr. Callaghan to adopt some one of those specifications, agreeing that that was all right and fair between man and man.

Q.—Mr. Stewart was something like yourself? A.—Yes.

Q.—He was a part of the same concern? A.—Yes.

Q.—Mr. Callaghan did not know that at the time he has told us. A.—I don't know whether he did or not.

Q.—The chief engineer thought you were in different interests? A.—Well, he acted like it all summer—or all year.

Q.—We have his actions now in black and white. He says he thought you were different at that time, and he did not know you were the same until he came into this Court-room. That is his evidence as I recollect it. Now, the clause in this contract says that he, representing the P.G.E.R. Company, which was the firm of Foley, Welch & Stewart now (which was a company not different from you), was to settle the specifications with you after the contract was signed. What was the idea of having that clause in the contract, and of preserving the fiction in that way, when you were all the same? A.—Well, they had to have something in there to guide them, did they not—or would they not?

Q.—Guide who? The Pacific Great Eastern, we now find out, was you, and Foley, Welch & Stewart was Pat Welch. A.—I guess I did not understand your question.

Q.—Why was it necessary to have in this contract, P. Welch, contracting with the Pacific Great Eastern, was to settle the prices with the chief engineer of the Pacific Great Eastern, you knowing at the time that you were all the same thing? You knew it was all one and the same thing at that time? A.—I guess you did not understand me. When Stewart and I made those

prices it is true we did not have any specifications, and Mr. Stewart and I agreed among ourselves that we could adopt any of those prices that the C.P.R. had, or any of the others that we had been used to following.

Q.—Why fix the prices at all? It comes back to my other question—Foley & Stewart were the same as you, and you all were the same thing. A.—Well, I don't know; I could not answer that question. We simply did it.

Q.—Anyway, those were the prices on which the trust moneys were released by the Government, that were fixed in that way in the contract? A.—Yes; it was the prices that were established; and the chief engineer and the Premier and the Government knew all about it and agreed to it. It was submitted to them.

Q.—You would notify them, and would file this with Mr. Gamble? A.—As far as I know, yes.

Q.—The Statute says that paid-up shares shall be only issued for a certain purpose. Now, why did you—? A.—Mr. Taylor, don't ask me anything about that, because I would be only in the air if you did. I don't know anything about those things.

Q.—You got the \$24,960,000 of shares? A.—Any shares that I have got you can have them. Any one can take them.

Q.—Mr. Tate said to Mr. Hanes, when he cross-examined him, if he wanted to buy those shares he would have to pay a good sweet price for them; that they were going to make par out of them some day. A.—Well, that is all within a possibility too.

Q.—You got \$6,000,000 from the Government on the strength of giving them 12,500 shares and some other security, didn't you? A.—No, we have not got that \$6,000,000.

Q.—You got one of the six and there is another coming? A.—The rest is coming.

The Chairman: They don't give them. They just pledge them. They gave them \$2,000,000.

Mr. Taylor: Now, it turns out that what you gave the Government by way of shares was a lot of buncombe. You got your \$6,000,000 loan put through and gave them in return something that is a lot of buncombe—just a lot of paper; isn't that what you say now? A.—Are you speaking to me?

Q.—Well, it is "green goods"; it is no good, you say?

The Chairman: The buncombe was given to the public.

Mr. Taylor: It was shares that are no good; but you went to the Legislature of this Province, the last session before this one, and got a \$6,000,000 Loan Bill passed, out of which you have got about \$1,000,000. Now, did you think you were giving the Government some real security at that time when you gave them these shares, or did you think you were just giving them paper? A.—Now, don't pledge too much faith on what I have said, that any one could have those shares. I did not mean that exactly; but I do happen to have brains enough to know, or I think I have, that before those shares are worth a quarter of a cent, that road has to be put on an earning basis before it has any value, or any prospective value, and I don't expect to live to see that; and therefore that stock is no good to me unless it is for buncombe purposes.

Q.—That is an important feature, that you have just touched upon. You as a railroad-man, isn't it your opinion, if that road were completed to-day, and a fairly progressive policy was introduced of putting immigrants along that line to develop that country, nevertheless that road would not be a paying investment for you or for any one for years to come? A.—Well, of course, it depends entirely on the development of the country.

Q.—You have to develop that country, and it takes time? A.—Yes, it takes time; but that could take place.

Q.—How much do you expect that road would lose per annum if it were completed to-day from Vancouver to Fort George? A.—Well, I could not give you an intelligent idea of that, because I am not an operating man.

Q.—You have been operating a piece of it? A.—That would not be a fair question for me to answer.

Mr. Pooley: Is it fair to compare the conditions as they exist to-day with what existed when that road was started? A.—You are a better judge than I of that.

Mr. Taylor: Take in the course of a cycle of ten years, you have good and bad times in that, and they even up pretty evenly, don't they? A.—I don't know.

Mr. Pooley: No one ever expected this war to come.

Mr. Taylor: We hope to see the war over pretty soon. Have you any opinion in this case, supposing that the road were completed, when would it become a paying investment and square itself? A.—Well, it would all depend on the condition of the Province, and to-day I do not think that there are any more people up in that country than there were thirty years ago. A great many have gone away, and how fast they will come back I don't know.

Q.—With its grades and with its curvature, and the fact that it goes a long distance out of the way as compared with the other roads which run through to the East, it is almost impossible to hope that it will be a through-traffic line to the East, isn't it? A.—No, I would not say that; one or two big mining properties would put that road in a fine shape.

Q.—You think it would? A.—Yes; and regarding the grades, the grades are the best that can be obtained on that road, and they were built for the cheapest money.

Q.—Now, isn't it a fact that a standard Mogul engine cannot handle more than ten cars up those grades, and there are three divides with 2.2 grades between here and Lillooet? A.—Between here and Lillooet?

Q.—In a range of 162 miles there are three divides between Squamish and Lillooet? A.—Between Squamish and Clinton, I think, Mr. Taylor.

Q.—That is a mileage of what—200 miles? A.—Less than that.

Q.—Between Squamish and Clinton there are three divides on that grade of 2.2 grade each? A.—Yes.

Q.—And isn't it a fact that a standard Mogul engine will not handle more than ten standard cars of freight over those grades? A.—Well, in regard to the capacity of a standard Mogul engine, I have no more knowledge of what it will handle than I have of that law-book.

Q.—Than I have of that law-book? A.—No.

Mr. Pooley: The witness overlooked a point there.

Witness: Mr. Taylor, I did not refer to you in that manner.

Mr. Pooley: The witness overlooked a point, Mr. Taylor. Well, I don't suppose you mean to infer that the witness is responsible for the topography of the country, do you?

Mr. Taylor: No.

Witness: Why, bless my soul, isn't the Great Northern operating in that area there on 2.2 grade?

The Chairman: In competition with the C.N.R. coming down from the Yellowhead, and with the curves and grades that you have there, do you suggest that any through freight coming from the East would ever run over the Grand Trunk Pacific? A.—Well, I say it could be put in here cheaper by connecting up with the Pacific Great Eastern. The freight landed at Fort George is just as short as if you were to take it to Prince Rupert. For instance, if they have a contract with the P.G.E. for freight through from the East, it could be handled quicker to take it up that way and much cheaper; but still I am no authority on that.

Q.—By comparing this road now to the C.N.R. and the Grand Trunk Pacific, what do you say? A.—Well, the C.N.R. should be able to handle freight cheaper than the Grand Trunk Pacific and the Pacific Great Eastern.

Mr. Taylor: I think you ought to be able to answer my question, because you agreed to invest your money in this line—at least, a very large sum? A.—Well, I have carried out my agreement. In this case I have invested some money.

Q.—That is all the more reason why you should know what the prospects of that road would be, and how much the engines would be able to haul up grades. Don't you know anything about that? A.—No; I think, Mr. Taylor, that you could ask men who class themselves as engineers and they could not tell. I know I cannot tell you.

Q.—What is your idea—just give us a rough idea? A.—I cannot tell you; I don't know.

Mr. Pooley: You are not operating that line? A.—No.

Mr. Pooley: I would suggest that, as far as Mr. Welch is concerned, we would be back here Monday. I would like to have him here Monday morning, unless we are going to sit to-night, and can finish up with him.

Mr. Davis: Can't we get through with him to-day? He wants to get away if possible by the 2 o'clock boat.

Mr. Maclean: You are going to sit to-night, aren't you, Mr. Chairman?

The Chairman: We were not expecting to, no.

Mr. Taylor: Why can't we finish with Mr. Welch now?

Mr. Pooley: Well, there is a tremendous amount of evidence in this book now that I would like to read over, and that I may have to ask some questions on.

Mr. Taylor: I will be through in a very few moments. I have just one or two more questions.

Q.—Now, why did you have an equipment company separate from the other? The equipment company, as I understand it, is for the rolling-stock when that road goes into operation, and it is partially in operation now. Why did you have an equipment company at all? A.—Well, the answer to that is this: It is the common practice, I am told, to establish an equipment company. Every ten miles of track there is a little extra equipment required, and in case you run out of funds you can issue equipment notes against this equipment which you have already paid for, and turn it over and buy a new engine or a new car, as the case may be.

Q.—The idea is, you are getting the equipment so that it will not come under the debenture issue of the P.G.E.: isn't that right? That is the intention? A.—No, there is no wrong intention there.

Q.—I don't say it is a wrong intention. I disagree with the practice myself, because the Province is guaranteeing those debentures, and may some day have to foreclose them under their subrogation privileges; but I think it is a matter for them to know whether this equipment company is to hold assets that should come under the security of those debentures? A.—We have handled this thing just exactly as we would handle any other, and have put every dollar of our money into the thing. Everything has been done straightforward.

Q.—I don't think you need say that. I am not suggesting anything from a dishonest standpoint, but I am suggesting something that is irregular from the standpoint of policy. I suggest to you that your equipment company was for the very purpose that you have suggested—namely, to keep those assets from coming under the security of the debentures. Was that right or wrong? Was that your purpose? A.—I don't get it. We have to have an equipment. We had to have an equipment to let that contract.

Q.—But was it for that purpose? A.—What purpose?

Q.—Among other things, for the purpose of preventing the equipment of your railway, when completed (which is partially complete now and partially equipped), from coming under the debenture securities guaranteed by this Province. A.—Well, what could we do?

Q.—Leave it in the railway and hence debenture security. I have seen your trust deeds? A.—Well, suppose we wanted to buy an engine and didn't have the money to do it?

Q.—You are supposed to have money. Foley, Welch & Stewart are guaranteeing to equip and operate this road, and if you knew that you could not do it, you never should have entered into your bargain with Sir Richard McBride? A.—That is absolutely true.

Q.—But when you entered into that bargain you told him you could do that, and it is no answer to me now to say you have not got the money. Now, will you answer my question? Was it for the purpose of keeping that equipment from coming under the guarantee debentures of the Province of British Columbia? A.—Certainly not; we had to form that company.

Q.—Was it for the purpose of keeping them away from the debentures that the Province has guaranteed? A.—Certainly not.

Q.—It has that effect, did you know that? A.—No, I did not know it.

Q.—All right. That is answered as far as you are concerned. A.—All right.

Q.—Now, the lands of the Company under the agreement of the 10th February, 1912, had to be administered by the Pacific Great Eastern Railway Company, and not by the Pacific Great Eastern Development Company. The "appropriate agreement" referred to in clause 13, chapter 34 of the Act of 1912, says, "That the lands so granted shall be administered under the terms of an appropriate agreement by the Company as townsites for the joint benefit of the Government and the Company—the Company being in that agreement the Pacific Great Eastern Railway Company." Did you have any authority from any person to put these lands of the Pacific Great Eastern Railway Company into the Pacific Great Eastern Development Company—yes, the Pacific Great Eastern Development Company; did you have any authority to take that out of the control of the Pacific Great Eastern Railway—from the Government or any one else? A.—No, I don't know anything about that feature of it, and I took no part in it.

Q.—Mr. Tate, since this Government has come into power, has wanted to sell certain lands, and he asked for an Order in Council; he asked that Mr. Olyer have an Order in Council passed, authorizing and permitting him to sell these lands—

The Chairman: In the name of the Development Company?

Mr. Taylor: In the name of the Development Company.

Q.—You do not know of any Order in Council which was existing before this time, authorizing anything of that kind, do you? We want to see whether we were in any way prejudiced?

A.—No, I don't know anything about it.

The Chairman: Well, they are covered now by a mortgage on that line, aren't they?

Mr. Taylor: I file now Mr. Tate's letter dated February 5th, 1917, to the Honourable John Oliver, which will be Exhibit what?

The Secretary: 176.

Mr. Maclean: It will be 175.

The Secretary: I have filed as Exhibit 175 the minute-book and a copy of the agreement and list of the equipment of the Pacific Great Eastern Equipment Company. Now, who produced that?

Witness: Mr. Taylor, I have to go to Seattle to-day and meet a party down there, so I would like to get away pretty soon.

Mr. Taylor: What time would you have to leave here? A.—I would have to leave here at 2 o'clock.

Mr. Taylor: I will file this letter:—

"February 5th, 1917. Hon. John Oliver, Minister of Railways, Victoria, B.C. DEAR SIR,—The Pacific Great Eastern Railway Company has agreed with the Pacific Great Eastern Development Company for the purchase of 32.4 acres of land on the East Branch of Squamish, being part of Lot 4261, New Westminster District, this land being required for freight-delivery yards. I herewith enclose agreement in duplicate for your approval as to the price, terms, and conditions therein specified in pursuance of section 14, subsection (a), of the 'Loan Act' of last session, being chapter 38. I also enclose blue-print showing the proposed lay-out, and will be pleased to receive Order in Council if the transaction meets with your assent."

Mr. Tate: That is under the "Loan Act."

Mr. Taylor: You say that is on account of the "Loan Act."

Mr. Tate: It shows that in that letter.

The Chairman: I would think so. That is, the mortgage under the "Loan Act" would apply there.

Mr. Taylor: That did not occur to me, but that is Mr. Tate's explanation.

Mr. Pooley: And the letter says so, as a matter of fact, doesn't it?

Mr. Taylor: Yes. That is sufficient for my purpose, Mr. Welch. Oh, I just want to ask you one question. Mr. Kennedy, who gave his evidence here, had a son who was a sub-contractor on the Pacific Great Eastern, didn't he? A.—Yes, he and a nephew of mine did, too; one was on Seton Lake and one above Clinton, but I never was up there to see it.

Q.—Did Mr. Kennedy ever interview you personally about changing the classification on his son's work? A.—Yes.

Q.—You raised the classification? A.—We raised that where the material had been paid for by those fellows, and we thought it was only right to make good on that.

Mr. Shatford: Did I understand you to say that all the negotiations with the Government had been carried on by Mr. Stewart and Mr. Tate? A.—Yes, practically all; practically all of them.

Mr. Pooley: It was practically Mr. Stewart's scheme all through, wasn't it? A.—Yes, he started it.

The Chairman: It was put up by Mr. Stewart to you? A.—Yes.

Q.—Who was the one who was negotiating it at the time the deal was put through? A.—Well, Mr. Tate attended to that. He went down to California with the agreement all ready to be signed.

Mr. Pooley: Now, I understand you to say you have got to go to Seattle? A.—Yes. However, I can stay here to-night if necessary, or go ahead now.

The Chairman: Well, now, do the Committee want to keep Mr. Welch here and examine him further to-night?

Mr. Taylor: I did not want to meet to-night if we can help it.

Mr. Shatford: Well, I would like to know if Mr. Welch will be available on Monday if we require him.

The Chairman: Yes, he will be.

Witness: If you will notify me I will be glad to come back; if you will notify Mr. Tate.

Mr. Pooley: There are just one or two things I want to ask you with regard to one or two suggestions made by Mr. Taylor. You do not intend the Committee to understand that you wish to evade any obligations which you may be under, under this contract? A.—No, none whatever.

Mr. Taylor: I did not intimate that he did.

Mr. Pooley: Well, then, we have got this understood as far as Mr. Welch is concerned. We will adjourn now on the understanding that if there are any more questions we want to ask him later on you will produce him?

Mr. Davis: Yes.

Mr. Hall: Just one question. At the time Mr. Welch—

Mr. Pooley: Just a minute. Is it understood that if there are one or two questions we want to ask you later you will come back? A.—Yes.

Mr. Hall: At the time you entered into this contract I take it that you had formed an idea of what it would cost a mile? A.—Yes, we made a sort of a guess at it.

Q.—What was it? A.—Well, at the time that we made the contract it was pretty hard to make up an intelligent statement of how much it would cost—only in a preliminary way, and it was only an idea we had.

Q.—I just want to get at what that idea was. A.—Well, Mr. Stewart evidently, when he made the arrangement with Mr. McBride, thought \$40,000 or \$50,000 a mile—or \$40,00 or \$45,000 a mile would cover it; and he thought at that price and the way things could be manipulated at that time, that he might be able to pick up money to make up the difference between the \$35,000 and \$40,000; but he fell down on it.

The Chairman: What was the total amount of the contract out of which you made that \$1,400,000 on? A.—Between \$10,000,000 and \$11,000,000, I think.

Q.—On the C.N.R.? A.—Yes.

Mr. Taylor: That was according to the C.N.R. prices that we have put in? A.—Yes.

Q.—And you would be a sub in that case under the main contractor? A.—Well, Mackenzie & Mann took the contract, and I suppose we would be called his subs.

Q.—And those prices are much lower than what you got from the P.G.E.? A.—Yes, much lower.

Q.—And the volume of that contract was only ten or eleven miles? A.—Something like that.

Mr. Pooley: What was the comparison in that work from a construction point of view, and as to the amount of material that you would waste? A.—Well, the Fraser River work construction, you can learn that from any contractor, was one of the best pieces of work.

Q.—Easier with regard to handling material? A.—Yes; it is all side-work, and something that you could get on to easily and handle.

Q.—And it would be something that you would call waste—that could be shot into the river? A.—Well, waste does not mean so much that—

Q.—Well, the term waste has been used here throughout this evidence, meaning by that shotting the rock so that it could be disposed of by blowing it into the river without handling it? A.—Well, side-work means you have two sides to break to, and you could put a shot in; and if you get wedged into a thorough-cut you have two sides solid.

Mr. Shatford: Mr. Welch, do I understand you to say at the beginning that you did not expect to advance any money to the undertaking? A.—No, I did not intend to be understood that way. I intended to be understood that we would advance any money we could, and would do the very best we could, and I was given to understand that we would get additional aid if this was not enough to build it.

Q.—You say you would advance any money that you could; what would that mean? A.—Any amount that we were able to raise or negotiate.

Q.—\$2,000,000 or \$3,000,000? A.—It might amount to that much, yes.

Mr. Yorston: You said that Mr. Stewart calculated it would cost about \$45,000 a mile? A.—I just made a guess at that.

Q.—Well, at that time your route laid up in the Fraser Valley? A.—Well, I think J. W. Stewart had an idea that that thing could be changed if necessary. As a matter of fact—

Q.—It was really understood at that time, that although your route was routed up the Fraser Valley you might get it changed? A.—Yes, I think Mr. Stewart had a view that getting up that river was almost an impossible venture.

Mr. Taylor: Who is Mr. E. F. Wilson? A.—Fred Wilson.

Q.—One of the directors of the Company? A.—I believe he is.

Q.—I see that he is a sub-contractor with McCall & Wilson? A.—Yes.

Q.—And he was also drawing \$500 a month from the Pacific Great Eastern? A.—Yes.

The Chairman: And he is a son-in-law of yours? A.—Yes. Wilson & McCall made some money too.

Mr. Taylor: And he was getting \$6,000 a year from the Pacific Great Eastern Railway Company at the same time? A.—Yes; he acted as a right-of-way man.

The Chairman: We will adjourn till 10 a.m. Monday morning.

Session adjourned at 1.30 p.m. till 10 a.m., Monday, April 2nd, 1917.

EIGHTEENTH SESSION.

MONDAY, April 2nd, 1917.

Meeting called to order at 10.10 a.m.

Mr. Taylor: Mr. Chairman, I have made a few changes between pages 642 to 846, both inclusive, of the stenographic report of the proceedings, being Mr. Kennedy's evidence, Mr. Cartwright's evidence, and that of Mr. Anderson and Mr. Grabbie, and a statement by Mr. Tate. These changes are simply the correction of obvious errors. I have spoken to my learned friend Mr. Maclean, and he is content to have it passed in its present shape.

Mr. Maclean: I have looked over Mr. Cartwright's and Mr. Kennedy's, which were the two submitted to me, and the changes are very small. They are obvious.

Mr. Taylor: They consist of a few changes in spelling of names, and things of that sort; sometimes "instruction" instead of "reconstruction," and other things like that. I hand the volume now, being the third volume of the proceedings, to the Secretary for it to be reported to the Legislature and for printing.

Mr. Tate: Mr. Chairman, I would like to make another reference to P. Welch's books. I was called up on the long-distance phone yesterday, and had a very long talk with Mr. White, and he stated to me that he did not think I could have made it plain to the Committee what the condition of things was over there, and what would be involved in bringing the books over here. He says, in the first place, that one book and one file refer to another and to other books, and you could not possibly bring them over piecemeal; you would have to bring the whole thing over: you have got to bring the whole office over in order to have them. He said that he could not pack the books and the records in to less than twenty-five boxes; and it simply means that you would have to move P. Welch's office over to Victoria and get office accommodation for all the material. He said further, that to have part of the records over there and part of the records here would mean we were going to have the whole situation muddled, and it would retard the work of the Committee for weeks; and that, as far as the work of construction on the railway goes, it would stop it for quite a couple of months. He says that in respect of one item alone, cheques for example, the bulk would be considerable; and he says that there could not be any idea of the enormous amount of work involved in transporting bodily all this material. If they were removed bodily to Victoria, why, it would take them the best part of a week, as it would simply mean bringing the whole office over. So far as placing the office at the disposal of the Committee, or any member of the Committee, goes, we will turn the keys of the office over; the keys of the safe, or anything else that it required; but it is simply a question of convenience now that I am speaking to. I am sure we want to co-operate with the Committee all we can; and I would like to get this thing over, and I am sure the Committee would also, as soon as possible; but if the records are to be brought down here, it would certainly mean a delay of over a month. Mr. Welch's office occupies a whole floor in the Welton Block. There are seven large rooms there; and Mr. White states that it is simply impossible, impracticable, and infeasible to bring down part of the stuff without the other, because you could not proceed with the investigation if you had only one side of the matter here, and required to call for a particular file which was in another

place. One book dovetails into the other; and, as I say, the whole thing would have to be brought down bodily. I am sure the Committee only want to get at the thing with as great expedition as possible; and that is what we want. Of course, we are willing to give you every assistance and co-operation, but we cannot do anything more than make a plain representation of the facts; and if that is not satisfactory, of course we can place the office at your disposal, and you can take the responsibility; but I am telling you that I am sure if any one of the Committee only appreciated the endless delay and confusion which would take place, if it were attempted to bring these things down here, they would better understand the position. It is not that we are trying in any way to stand in the way of the wishes of the Committee; we are trying to facilitate the inquiry and the whole situation.

The Chairman: I see that the Government have an Order in Council with reference to an audit. Is the auditor here this morning?

Mr. Taylor: Mr. Townsend.

The Chairman: What are the circumstances, Mr. Townsend?

Mr. Townsend: In regard to what Mr. Tate has just been saying?

The Chairman: Yes.

Mr. Townsend: I think we are in favour of it. (Conducting the audit in Vancouver.) Because if we are doing this work, we would rather do it in Vancouver—

Mr. Taylor: In Vancouver.

Mr. Townsend: —where their books are, and where there are people who would understand them. After all, the entries in the books are only the result of the original records, just the final results. There are all the files, and so forth, which have to be consulted in order to get the right meaning and interpretation of what is in the books.

The Chairman: This information which we asked for last week was in the nature of a tabulated statement that will show how much this road cost.

Mr. Townsend: Yes.

The Chairman: Have you worked it out in your mind how that could be done, and how long it will take?

Mr. Townsend: How long it will take: I have an idea how it can be done, and probably the only way it can be done, and I have discussed the matter with other members of the staff who are here. We have come to the conclusion that the Committee probably are not acquainted with the vast volume of work in it, owing to the particular state that these records are in. It would take probably months instead of days, as suggested. And the Committee could readily see in three or four minutes what kind of procedure would be necessary. It seems to me that the only procedure that can be followed from the records that are here would take anywhere between—well, there is no knowing; it would only be making a wild guess, but it would take months.

The Chairman: I understand that you think it would take more than a number of days; it would be a matter of months? A.—Oh, yes; could not speak of any number of days at all; speak of it in months.

The Chairman: That is not what we want; that is not the question with this Committee. A.—That is exactly what I thought; it is not what was desired at all.

Q.—What this Committee wants is an analysis of certain figures which will show how much this railroad has cost. A.—Yes.

Mr. Taylor: In a number of lawsuits which I have had, this kind of work has been done in a few days. Now, there must be a misconception on the part of the auditor as to what is required, or there is something extraordinary in the way P. Welch mixes up his books. I do not think that his books are mixed up to any great extent with the staff like he has. I have never had any trouble in lawsuits in obtaining this kind of data; that is, in railroad lawsuits, in getting a statement like this Committee requires. There must be a misapprehension as to what is needed. My idea of what is needed is simply to take section 1; we will have P. Welch's clearing costs for the whole of section 1. If it cannot be given for section 1, as to sub-contractors also, and as to stationmen also, in two separate columns, for clearing, then let us have the whole of P. Welch's costs for the clearing for the whole road, and the whole sub-contractors' clearing for the whole road, and the whole cost of clearing for the stationmen of the whole road. Then it is necessary to know the mileage of each one of those persons; we want to have P. Welch's mileage and the sub-contractor's mileage, or, as the case may be, the acreage; and then you

have got the whole thing right before you. The average would then be the column for clearing of P. Welch for the work which he did; and the stationmen for the acreage they have, and sub-contractors. Now you have got the information you want. P. Welch may have done other clearing by day-labour. We have got the average, anyway, of the sub-contractors, and we have got the average of the stationmen; and you know exactly what it would be costing to P. Welch and the sub-contractors on those prices. Surely that is a statement that is very easily gotten off; at least, in a few days.

Mr. Townsend: We have to find out as to the stationmen, what was paid to them for clearing; that is the first thing.

Mr. Taylor: Exactly.

Mr. Townsend: And the acreage to be covered.

Mr. Taylor: And one divided by the other gives the average price? A.—There are about six bundles about that high (settlements).

Q.—Surely those are to be found in books? A.—Those are not in any of the books; they are in loose sheets like that, each representing a settlement with the contractor and stationmen.

Q.—I am suggesting you divide these in the account, as section 1, section 2, section 3, and so on. A.—Then, again, in these settlement accounts, there is nothing in them to tell you where they belonged, or what part of the line it refers to; and that makes it hard to find out about them.

Mr. Hanes: I would like to ask Mr. Tate, if some days ago P. Welch was required to furnish bills of material for extras, for roundhouses, and for these water-tanks; has that been produced yet? That was a very simple matter to have done. Do you know, Mr. Chairman?

The Chairman: Well, nothing that I know of except what has come before this Committee.

Mr. Hanes: That has been asked for at least three or four times, and it was a very easy matter to produce.

Mr. Taylor: What was it?

Mr. Hanes: I was just asking the Chairman if there had been produced bills of material for extras for the roundhouses and water-tanks; that was a very easy matter to produce; and whether they showed any readiness in producing documents that would be forthcoming easily.

Mr. Taylor: Those have been filed, I think. Bills of materials, that is marked here. Didn't you file those the other day?

Mr. Maclean: I don't think anything of that kind has been filed.

Mr. Taylor: I mean the bills of material for the roundhouses.

Mr. Hanes: They may be, but I don't think they are. I am referring to the statement of bills of materials for extras. I suggest that a copy of the Order in Council (referring to audit) should be received and filed.

Mr. Taylor: Mr. Hanes, you are familiar with these kinds of matters, and you heard what I said; what do you think about the practicability of getting off a statement in that way?

Mr. Hanes: I think it can be done in a very short time.

Mr. Taylor: The whole question, Mr. Chairman, I think, is this: Whether the Committee is going to have everything brought over here for the purpose of getting it, or whether the whole of the exhibits are to be taken to P. Welch's office in Vancouver.

Mr. Maclean: Really, I would think that the auditor would rather go over there and have the benefit of the staff of P. Welch to explain things to him; if he had all the documents there, he could do the work much more expeditiously than bringing the documents here, and then not having the staff of P. Welch to explain it.

Mr. Taylor: I am not urging it one way or the other; it is for the Committee to decide. But that is the whole point, whether everything has got to be returned to P. Welch's office or everything brought from P. Welch's office here.

Mr. Maclean: You would have to get the staff of P. Welch's office here, too, wouldn't you?

Mr. Townsend: I would suggest, Mr. Chairman, that a couple of the members of the Committee come with me and I will show them the records, and the procedure that I believe is necessary; and then I venture to say in all probability the Committee will appreciate the situation, and that what I say is very true—

The Chairman: To Vancouver?

Mr. Townsend: No, just here; the records here.

Mr. Taylor: Take P. Welch's account and the sub-contractors' end of it; P. Welch will have an account in his ledger with every sub-contractor, I suppose; then all you have to do is to check up the different vouchers with the ledger account. The only difficulty may be with the stationmen; but if you put three or four men (auditors) on the stationmen's account, there are not so many of them that they could not be done in two or three days, surely.

The Chairman: I think we had better go on with our evidence; and after this session is over I would like to go myself with Mr. Hanes and the auditor and any member of the Committee who wishes to be present also. (To see the proposed method.)

Mr. Taylor: We have P. Welch's column in the exhibit already filed here; we have column 3, that should be very easily checked with all these sub-contracts. A.—I cannot see where the delay should come in myself.

The Chairman: We will take the matter up after the session.

Mr. Tate: Mr. Chairman, this statement contains no item or element of profit whatever; it is actual cash disbursements, and there is no revenue that he got from any part of the road or the undertaking; that is not included in this statement. There is nothing in this of profit; this represents his actual disbursements, in which credit is given for everything received.

Mr. Taylor: I do not think that is the point here, Mr. Tate. We do not care anything about that statement (64). What we are wanting to know is what the Government had to pay P. Welch.

Mr. Tate: Yes.

Mr. Taylor: And we want to know what he had to pay his sub-contractors? A.—It is in there.

The Chairman: It is shown there in one line what he paid his sub-contractors? A.—Yes.

Q.—Could not that be broken up? A.—Certainly it could.

Q.—In different sections? A.—Yes.

Q.—Yes? A.—We can itemize this statement out, and that is what I would suggest.

The Chairman: We want to have a little check on that question; we must have a formal check on it.

Mr. Tate: It was just a suggestion on my part.

Mr. Hanes: I think, Mr. Chairman, that Mr. Tate is not familiar with this statement at all; he is not familiar with these figures at all; and therefore I do not see where he can assist.

Mr. Taylor: You see, Mr. Chairman, the difficulty about a statement like that now. I may be wrong, or I may be right, but it illustrates my point. Supposing they charged \$2,000,000 for supplies there, and supposing, as a matter of fact, that there was no right to charge 5 cents for supplies, because he either resold them or rented them at a rental which was equal or more than the cost; then there is one item which will disappear into thin air.

Mr. Tate: He didn't get any of it.

The Chairman: Well, Mr. Tate, we cannot accept a statement like that.

Mr. Tate: Why don't you verify it? I do not mean you to accept it.

Mr. Hanes: If you take off certain items here, which may be reinvested, on the face of it, there would be a profit of \$2,800,000 at least.

Mr. Pooley: That is a matter for the auditor to settle.

Mr. Tate: He says there is \$3,000,000.

Mr. Taylor: He said it is between \$3,000,000 and \$4,000,000, if it had been reinvested.

The Chairman: Well, I think we had better get on with the evidence.

FRANCIS C. GAMBLE, called and duly sworn, testifies (examined by Mr. Taylor):—

Q.—Your full name, please, Mr. Gamble? A.—Francis C. Gamble.

Q.—You are chief engineer of the Department of Railways, Mr. Gamble? A.—In the Department of Railways, yes.

Q.—And you have been connected with the service a great many years, haven't you? A.—I have been connected with the Government for about twenty years, nearly.

Q.—We want to get some information about the inspection of this contract, as far as you know, with P. Welch, or with the P.G.E.R., and the working of it out; now, had you anything to do with the making of the contract with P. Welch? A.—None whatever.

Q.—Had you anything to do with the making of the contract of the 10th of February, 1912, between Foley, Welch & Stewart and the Government? A.—None whatever.

Q.—Were you asked for any advice with regard to the making of this contract, or either of these contracts? A.—None.

Q.—Had you anything to do with the fixing of the prices? A.—No.

Q.—That were paid to P. Welch? A.—No.

Q.—By the Railway Company? A.—No.

Q.—Were you asked to advise as to the fixing of those prices? A.—No.

Q.—Do you know whether your Department, or your staff, or any of your staff, were asked to advise as to the fixing of those prices? A.—I am the only one.

Q.—You are the whole staff? A.—I am the staff myself.

Q.—So you assume no responsibility for the prices that are fixed in P. Welch's contract? A.—No.

Q.—Was any notice given to you of the prices that were fixed in P. Welch's contract; if so, when did you first get such notice? A.—I asked Mr. Tate for them, and I think that there are letters on the file; Mr. Bullock will be able to find them.

Q.—That would be about when? A.—Some time in 1912; the end of 1912.

Mr. Taylor: We have that, I think, on file now.

Mr. Maclean: Not on file, according to my instructions.

Mr. Taylor: Not in the file? I think it is on the file.

Mr. Hall: Mr. Tate's reply is on file, anyway.

Mr. Taylor: Mr. Tate's reply was in February, 1913. A.—1913?

Q.—Yes. A.—Somewhere about that time; I don't remember exactly the date.

Q.—Assuming that you got the information in February, 1913, or not later than February, 1913, did you have any notice after that of the changes of prices in the original price-list?

A.—There was only a difference in train-haul, changed to ballasting.

Q.—You got notice of that one; that was in November, 1915? A.—Yes, that is the only one.

Mr. Maclean: No, no; you are wrong there.

Mr. Taylor: November, 1915, Exhibit 116.

Mr. Maclean: That is very true; but getting back to the facts, we have got Mr. Gamble's letter of 1912; and we have the answer here in 1913.

Mr. Taylor: Those letters are all on file.

Mr. Maclean: That was settled, and then they reopened it.

Mr. Taylor: Of course, I cannot exactly agree that it was settled; however, we have those letters on file.

Q.—That is the only recollection you have of any change having been reported to you or any addition in price that were made? A.—That is all that was ever reported to me that I remember now; I don't think of any other; if there were any other, it would be here in the correspondence.

Q.—There was, Mr. Gamble, a very important change made some time afterwards—have you got Exhibit 3?—a great string of additions for roundhouses, and turntables, and section-houses, and oil-tanks, and all that sort of thing; had you any notice of that addition? A.—No.

Q.—One I have just referred to, attached to Exhibit 3, is the change that was made on October 6th, 1916; you had no notice of that change? A.—Not that I can bear in mind.

Q.—It has got written on the bottom of it, August 15th, and August 14th, 1915, in lead-pencil, but not in type: August 16th, 1915, on another sheet, typewritten date, as I have given it; had you notice of the change of November 20th, 1915, signed by Mr. Stewart and P. Welch, which I now show you? (Producing document to witness.) Exhibit 116, also attached to Exhibit 3. A.—Well, that is something the same that I got; at least, I might have got that letter from Mr. Tate, about the estimate of 50 cents per cubic yard for ballasting; and that was in reply to a letter I wrote to Mr. Tate asking for an explanation.

Q.—That was earlier, I think; those are the letters in reference to the matter I referred to? A.—Yes.

Mr. Maclean: Just here, to elucidate the matter, Mr. Gamble; I understand that in 1916 the supervision of the road on behalf of the Government was undertaken by Mr. Kennedy? A.—I believe it was, under the "Loan Act."

Q.—When was that? A.—That "Loan Act," I really forget the date.

Q.—Then after that date did you have anything to do with the matter at all? A.—Yes, and no.

Q.—Could you fix the date when you ceased to supervise the road? A.—It was after the passing of the “Loan Act.” Mr. Kennedy was appointed by an Order in Council; I think that you can easily get that.

Q.—The “Loan Act” was passed on the 31st of May, 1916? A.—I think Mr. Kennedy came in very soon after the House rose.

Q.—31st of May, 1916; probably that would be the date the House rose? A.—He had an Order in Council.

Q.—That is the date on which the Act was supposed to be assented to; that is the time when the House rose, unless it was assented to in the middle of the session, as sometimes happens. However, that Mr. Kennedy had to do with it would be filed and returned to your Department? A.—No.

Q.—No? A.—No.

Q.—His certificates, signed by him, are on record already; and they begin either at the beginning of or shortly after the “Loan Act” was started? A.—I think Mr. Kennedy’s estimate was in July—1st of October. (Mr. Tate suggested latter date to witness.)

Q.—1st of October, 1916? A.—I had no more interest in it then.

Mr. Tate: No; 1st of July.

Witness: That is about it.

Mr. Taylor: 1st of July, 1916. (Mr. Tate; 6th estimate.)

Q.—We will go to another matter. You, of course, were familiar with subsection (d)—— A.—Exactly.

Q.———of section 9 of Schedule A, chapter 34 of 1912. How did you, as the departmental engineer, interpret that section, in so far as it deals with the question of Foley, Welch & Stewart receiving, or the Pacific Great Eastern Railway Company receiving, or not receiving, a proportionate amount of the moneys in trust in the hands of the Government resulting from the sale of the guaranteed securities? A.—The interpretation was left to the Government.

Q.—In what way was it left to the Government? A.—It was stated that it had been reached in accordance with subsection (d) of section 9 up to Estimate 20, I think.

Q.—Did you have any discussion; did you make any ruling, as far as your Department was concerned, starting with the very first certificate that was granted; I am referring now to Estimates 1 to 41? A.—Did I make any——

Q.—Yes; any ruling as to the amount, the proportionate amount, that should be paid out of the guaranteed funds? A.—No.

Q.—Why not? A.—Well, I was not asked to do it.

Q.—I understand from your letters that you have attached to these Certificates 1 to 41, that you would indicate the amount for which the Order in Council should go? A.—No; you mistake me; I am not an agent of the Minister of Finance; the dealing with this is up to the Minister of Finance.

Q.—Give me those Certificates 1 to 41, will you, please? (All right.) Strictly speaking, undoubtedly you are correct there, Mr. Gamble; no question about that. A.—I know I am.

Q.—You see, what I am dealing with is a different matter. Take Exhibit 39, Certificate No. 1. Your letter reads like this: “September 20th, 1912. I have the honour to hand you herewith Certificate No. 1 for work performed by the above-named Company during the months of April to August, inclusive, to the value of \$46,845.21; this amount may be transferred to the credit of the Company in accordance with subsection (d), section 9, chapter 34, 1912.” That is very clear. “Yours obediently, F. C. GAMBLE, Chief Eng. To the Hon. the Minister of Finance.” There is your letter here directed to the Hon. Minister of Finance, that he may transfer that money. A.—In accordance with the Act.

Q.—“This amount may be transferred to the credit of the Company in accordance with subsection (d).” I see your point.

The Chairman: The way I would read that letter, it would mean that if it was transferred it would be in accordance with that subsection.

Mr. Taylor: That is the way I read it.

Mr. Maclean: That the whole amount may be transferred.

The Chairman: That is my interpretation which I would put on it.

Witness: That was not the meaning of it.

The Chairman: You say that it meant that the amount could be transferred so far as that section would permit it to be; your suggestion was that it might be transferred so far as that section would permit? A.—Yes.

Mr. Taylor: You should have gone ahead, if that is the meaning of it; if that is the meaning in that letter, and the subsequent letters, most of which are about in the same strain? A.—Up to 20.

Q.—Yes; you should have gone ahead and told the Minister of Finance that the total amount of work done bore a certain proportion to the total amount done and to be done. He would not know that until you as engineer told him? A.—You say they didn't know; neither did I know what other factors came into this estimate. For instance, it says in proportion to the amount of work done and to be done, and the amount of supplies and plant furnished.

Q.—Materials and supplies purchased for the said railway? A.—Purchased.

Q.—There was no man in the world who would be able to certify that as far as the Government is concerned, considering the fact, as you say, that you were the only member of the engineering staff, no one except yourself? A.—That might be one way of looking at it; it was not mine.

Q.—I cannot see how the Minister of Finance could establish a proportion without you, without that letter meaning that the whole thing was to go on, or, in the alternative, without your telling him how to arrive at that proportion. In other words, giving him the balance of the work done and to be done. A.—You remember I was simply a representative of the Railway Department; I had nothing to do with the Minister of Finance; and the result to him was—it was put up to him if he didn't think they ought to be paid, he should refer it back to me.

Q.—Did he ever refer anything back to you in any of these certificates? A.—No, never.

Q.—Certificates 25 and 26, although the Minister of Finance never referred them back to you, you did, in a letter both to him and to the Minister of Railways, bring this very incongruous condition to special attention? A.—I brought it to the attention of Sir Richard McBride very clearly.

Q.—I am coming to that point in a moment; I say that right about the time, Certificate 25, in your report to the Department of Finance, and again in your report to the Minister of Railways, you do go to the trouble of showing them what the proportions were, and pointing out to them that they were not being observed. A.—Quite right.

Q.—Now you say that the Minister of Finance hadn't asked you about that, but you did the very thing as I say you should have done right at the beginning? A.—Of course, that might be so; but it was not done, because I thought they knew what they were about; I was simply an official; I had nothing to do with the interpretation of the Act, until it became, as I considered, a matter that should receive attention.

Q.—That is a clear position. And that became a matter which should receive attention, at what stage, at what certificate? A.—I think—I think, if I remember right, it was Certificate 20.

Q.—You say 20; I think it was 25, Mr. Gamble? A.—I don't remember; you can see it there.

Q.—Yes, it is 25; 25 and 26, you repeat it. A.—Yes, that is right, that is right; now I remember.

Q.—25 and 26; you said nothing on the 20th? A.—No, I don't think so.

Q.—No, you didn't; that is right. The letter reads like this: "I have the honour to hand you for your consideration Certificate No. 20"— A.—That is it.

Q.——"for work performed by the above-named Company during the months of March"— A.—"For your consideration."

Q.——"to the value of \$31,986.35; the total value of certificates issued to date is \$6,479,937.16, covering the expenditure on construction of 177.61 miles of line between North Vancouver and Kelly Lake." It was not until Certificate No. 25 that you took settled action? A.—I changed it, of course; I thought it desirable to do so.

Q.—Certificate No. 25, you point out the lack of proportion in a long letter both to the Minister of Finance and to the Minister of Railways; it is directed to the Minister of Finance? A.—Isn't there one addressed to Sir Richard McBride?

Q.—That will be in another bundle, not one of these. (Where are the other bundles with the Order in Council and the other certificates?) It doesn't make much difference to which Minister it is addressed. A.—No.

Q.—Who was Minister of Finance at that time, that being September 16th, 1914? A.—I think, Mr. Price Ellison.

Q.—Did you have a personal interview with Sir Richard McBride before that time, or at that time, respecting the matter? A.—Oh, I discussed the matter before that with Sir Richard McBride.

The Chairman: What date are you talking about?

Mr. Taylor: That is Certificate No. 25. "September, 1916. Herewith you will find this certificate I submit for your consideration"— A.—I was doing it in the form of a letter.

Q.—And then you personally brought it to his attention as well as couching it in that language? A.—Oh, yes.

Q.—That is, Certificate 20 is where you say the change took place in language? A.—Yes, I think you will find it so.

Q.—Yes. "I have the honour to hand you herewith Certificate No. so-and-so" is how it begins, up to Certificate No. 20. The only difference practically in the two forms is this: Certificate No. 19, "I have the honour to hand you Certificate No. 19 for work performed by the above-named Company," etc. Certificate 20, "I have the honour to hand you for your consideration Certificate 20 for work performed"; so the words "for your consideration" is the only change. The only change takes place between the 13th and 14th of March, 1914; Certificate No. 20, March, 1914, Exhibit 39. Of course, that is a very slight change in the wording that you would not for a moment attach any importance to unless you had a conversation as well. Before that time you say you had taken the matter up with Sir Richard McBride? A.—Oh, yes.

Q.—Just tell us when you first took it up with him? A.—Well, I cannot tell you exactly the date; it was a matter which was to a certain extent—well, I don't know—it was so private, I never kept any record of it.

Q.—Who were there? A.—Sir Richard McBride and myself were the only ones present at that time.

Q.—Why private? A.—Well, he asked me to come down to consult with him.

Q.—Yes? A.—That was all.

Q.—What else took place? A.—Nothing.

Q.—Why should it be private if nothing took place? A.—Well, I mean that Sir Richard McBride asked me to come down into his office—

Q.—Yes? A.———and have a conversation with him.

Q.—And what was the conversation? A.—Well, that is impossible—a few years ago—I cannot remember the words.

Q.—All right; just give us the substance of the conversation? A.—Well, I made the statement, as far as I can recollect, that they had overpaid the Pacific Great Eastern Railway Company in accordance with that section here.

Q.—Subsection (d), section 9.

Mr. Maclean: That is, your interpretation of it in accordance with that section? A.—Yes.

Mr. Taylor: Tell the whole conversation as you recollect it, or the whole substance of the whole conversation as you recollect it? A.—That is about all we said; there might have been some few remarks interjected too; I don't know what they were.

Q.—You pointed that out; you must have said something then; what did Sir Richard McBride say? A.—Sir Richard McBride was silent.

Q.—He was silent; he said nothing? A.—Said nothing.

Q.—What did you do as a result of that conversation? A.—I made him out a statement showing the overpayments in accordance with that section.

Q.—Did he request that? A.—What do you say?

Q.—Did he request it? A.—Request it?

Q.—That statement? A.—Yes.

Q.—Then he did say something? A.—Well, yes, he said something.

Q.—Now, Mr. Gamble, I don't want to have to corkscrew this thing out of you; I was asking you to tell us the substance of that conversation, and I want you to tell it to us here, and I don't want to corkscrew it out of you at all. A.—Well, I tell you, I cannot remember it.

Q.—You told me that you were having a private conversation; now, what is it; what did Sir Richard McBride say about it? A.—Well—

Q.—Tell us what he said? A.—I have told you, Mr. Taylor. I have nothing to hide whatever.

Q.—I don't want that answer; I want to know what Sir Richard McBride said; that is what I am after, and not asking whether you are hiding things or not. A.—Well, all I can say is, as I recall the conversation, I pointed out to him that they were overpaid in accordance with the proper interpretation of subsection (d), section 9; and that I wanted to know about it, so far as I can recollect; and he told me to send him a statement.

Q.—Yes; what kind of a statement? A.—It was on a sheet of foolscap (indicating size), showing the payments and the proportionate amounts that should be paid.

Q.—Did you keep a copy of that? A.—I think I must have; I cannot find it, but I will hunt it up again.

Q.—You mean to say that you do not know where it is? A.—No; I will look it up again.

Q.—Do you say that you do not know where it is? A.—It is——

Q.—Do you say that you do not know where your copy of that is? A.—It is probably down in my office.

Q.—Do you know that it is down in your office? A.—No, I do not; because I have not seen it for some time; but I will hunt it up when I go down.

Q.—Very well. You sent in that statement; now, what else did he say? A.—He said nothing more that I can recollect.

Q.—What did you do as a result of having sent that statement to him? A.—I changed the certificate.

Q.—That is, when the change of certificate took place? A.—Yes.

Mr. Maclean: "For your consideration."

Mr. Taylor: Upon whose suggestion did you change that certificate? A.—My own.

Q.—Do you say you got no satisfaction from Sir Richard McBride? A.—None whatever.

Q.—Or any person else? A.—No.

Q.—And no instructions? A.—No instructions.

Q.—And did you point out to him that you had changed the language of that certificate? A.—No.

Q.—You did not point out that you had changed the language of the certificate or this letter? A.—No; I sent this in to the Minister of Finance, and I imagined that before they would pass an Order in Council they would read the certificate; I was not dictating to the Government what they should do.

Q.—I understood Mr. Tate to say in his evidence that he had a consultation with Sir Richard McBride, and he and you, and Sir Richard McBride—— A.—Oh, that was afterwards.

Q.—And he made certain representations and went away, and left you and Sir Richard McBride together? A.—Oh, that was afterwards.

Q.—We will come to that now; have we understood that you have told everything that you recollect with regard to the conversation which led up to Certificate No. 20? A.—I have stated everything that I can call to mind.

Q.—Did you have any conversation prior to that time?

Mr. Maclean: With whom?

Mr. Taylor: With Sir Richard McBride, or Mr. Bowser, respecting this matter? A.—Oh, not with Mr. Bowser.

Q.—Not with Mr. Bowser? A.—No, I had none with Mr. Bowser; but I might have had with Sir Richard McBride; I cannot swear to that.

Q.—Have you anything in writing, any memorandum, or copy of any memorandum, or letter, or any other paper, as to it; that is, in any way connected with any prior conversation with Sir Richard McBride? A.—No, none whatever.

Q.—Do I understand that it was in respect of Certificate 20 the first time that you discussed this lack of proportion with even Sir Richard McBride? A.—I think it was a little before that.

Q.—How long before? A.—I cannot tell you that.

Q.—Who was present at the prior conversation that you now refer to? A.—Only myself and Sir Richard McBride.

Q.—Were you sent for that time? A.—No; I asked him to see me.

Q.—And he gave you an interview? A.—Yes.

Q.—And you told him about this lack of proportion? A.—Yes.

Q.—What did he say? A.—He said nothing.

Q.—Nothing? A.—Nothing.

Q.—Quite sure about that? A.—Well, if my memory is right at the time.

Q.—Why didn't you demand instructions? A.—Well, it was hardly the place for me to demand instructions. It was hardly the place for me to demand them; the Minister of Finance and the Premier knew the whole circumstances, and it was up to him to tell me what to do.

Q.—How do you know that the Premier knew the whole situation? A.—Well, I suppose it is only by inference.

Q.—What caused you to draw that inference? A.—Oh, you are asking me questions that it is impossible to answer.

Q.—But it is—— A.—I am willing to give you all the information; but when you ask me the causes that caused me to draw inferences, that is a little different.

Q.—I don't think so. A.—Oh, yes.

Q.—Now, when you make an important statement against—I say “against” advisedly—against Sir Richard McBride, that he knew the whole situation concerning this lack of proportion, and this is in regard to the very conversation that you told me of, I think you should be able to back that up. A.—Pardon me, Mr. Taylor; I said Sir Richard McBride was informed of the whole situation with regard to the Railway Company, not with regard to the overpayment.

Q.—You must have misunderstood me. My question was in connection with this lack of proportion; and I asked you when you had a conversation before this Certificate 20, and you said some time before you and Sir Richard McBride had an interview, and you pointed the matter out to him, and he said nothing; and I asked you why he said nothing, and you said, “Well, he knew the whole situation.” A.—Of the Railway Company.

Q.—Don't misunderstand me about that; I do not wish you to get confused in the matter; that is all. You say that he knew the whole situation? A.—He was perfectly familiar, as far as I could see, with the whole railway situation.

Q.—And with the lack of proportion in your certificate? A.—I suppose so.

Q.—And you had pointed out this section? A.—Yes.

Q.—Before asking him to consider the lack of proportion; why did you do that? A.—I don't exactly understand what you are trying to get at.

Q.—Why do you say that Sir Richard McBride knew the whole situation, and that you asked him to consider the lack of proportion? A.—Because I thought they would know, and when I found they didn't know, I thought it was desirable on my part to change this thing and make it plain to them.

Q.—Very well, then; we will take that as settled. A.—M-m.

Q.—You had this conversation just previous to your changing that language in the letter attached to Certificate No. 20. Then you were not satisfied with that, because after that we have Certificates 25 and 26, where you wrote a very long letter, very pointedly putting the matter up to the Minister of Finance and to others. As the result of either of those two letters, the one that was attached to Certificate No. 20, or the one that was to Certificates 25 or 26, did you have any conversation with Sir Richard McBride or Mr. Bowser? A.—No, not with Mr. Bowser; the only conversation was when they wanted a further advance.

Mr. Maclean: That is, the loan. That is, when they wanted the loan? A.—Yes; no—not the loan; they wanted half the retentions should be released.

Mr. Taylor: Coming to that subject, you wrote two letters, one attached to Exhibits 25 and 26; did you not have a conversation with Sir Richard McBride or Mr. Bowser, or both, in respect to the contents of those letters? A.—No, I did not.

Q.—Either then or at any time after? A.—No.

Q.—Did you do anything beside writing those two letters to the Minister of Finance? A.—No, Nothing.

Q.—Just left it at that, did you? A.—Yes, left it at that.

Q.—And having found that nothing was done as the result of those letters, thereafter you never brought this lack of proportion to their attention; why not? A.—Oh, yes, I did.

Q.—Not in a letter? A.—I did, verbally.

Q.—Well, then, we will come up to that, the first time that you did it, after Certificate 25 or 26; tell me when it was, the first time that you verbally brought this lack of proportion to

their attention? A.—That is not right; I did bring it to Sir Richard McBride's attention before that.

Q.—We have got leading up to Certificate 20—— A.—Yes.

Q.———but I am not talking about that; will you follow my question, and tell me if you don't understand it; we have disposed of the time before Certificate 20? A.—Yes.

Q.—Now, after the time of Certificates 25 and 26—namely, two special letters that you wrote—you had again conversations with Sir Richard McBride; when was the first one? A.—That I cannot tell you.

Q.—About when? A.—I could not tell you.

Q.—How long after you wrote those letters? A.—Pardon me, I cannot tell you any dates that I do not remember; you are asking me something I cannot say.

Q.—Well, how long after you wrote those letters? A.—I cannot remember; I cannot tell you; might be a month, two or three months, six months.

Q.—Very well; who was present? A.—Nobody.

Q.—What took place? A.—I just simply mentioned to Sir Richard McBride when he asked, told him that they were overpaid; that was all.

Q.—What did he say? A.—“M-m.” That was all I could make out.

Q.—Just a hum? A.—I think he was very much worried.

Q.—Worried in connection with this railroad? A.—M-m.

Q.—You say yes, do you? A.—Yes.

Q.—Worried on account of this railroad? A.—Well, his object, as far as I could infer, was to get the thing pushed through and finished.

Q.—What was it that makes you think that he was worried? A.—Now, look here, Mr. Taylor; I am not able to tell what is in a man's mind, or his thoughts.

Q.—You think he was very much worried concerning this road? A.—Well, we will change that, and call it “much worried.”

Q.—I don't care about the “very”; he was “much worried” about that railroad? A.—Well, leave the “much” out, and call it “worried.”

Q.—Let us get down to it; he was “worried” about this railroad. What piece of this railroad was he worried about; what was worrying him about this railroad? A.—You know, you ask me a question that I tell you again nobody can answer; if you look at a man, you can tell if a man is worried, even without his expressing anything.

Q.—You said that he didn't say anything except a grunt; we will put it in that language? A.—No, I never said a grunt.

Q.—If you will spell what you did say, we will get it on the notes; however, it was something in that nature? A.—Well——

Q.—Perhaps not quite so coarse as a grunt; and then your defence to that matter was that he was apparently worried about this railroad? A.—M-m.

Q.—Did he say anything to you that indicated what feature of this railway transaction was worrying him? A.—You know, when you are asking a man questions of conversations that took place, or might have taken place, three or four years ago, it is impossible—it is mentally impossible to remember what took place, and you cannot make me say something that is not right; unless I am absolutely positive of what took place, I tell nothing.

Q.—I am here to ask questions, anyway? A.—Yes, I know; and I will reply to them if I can.

Q.—You have told me that he was worried, and I want you to tell me what feature of the railroad—what particular feature of the railroad transaction—— A.—He “looked worried,” I will say that; will you allow me to say that he “looked worried”——

Q.—And concerning this railroad; you can change that even a little more than you did; but I want to know what feature of the railroad transaction he apparently was worried about, if you will be kind enough to answer it, and not labour your mind so much as to how the sentence is to be fixed up? A.—Well, you are asking all kinds of questions, and asking me to swear to things which it is impossible for me to know. Any man who knows anything about it will know that nobody can carry around a conversation for a time like that.

Q.—Do I understand you to say that Sir Richard McBride said nothing to you showing what feature of the railroad he was worried about? A.—No; all that I think—I have—no.

Q.—What were you going to say just now? A.—Well, I am not going to say it.

Q.—I do not mean this offensively, but in certain positions men get it into their heads——

A.—Well, you ask me straight questions, and I will answer you.

Q.—My trouble is this: that gentlemen like you who are in the public service, and in a department of the Government, get it into their heads that they are not to say anything, and very properly; that is very commendable to a certain point—— A.—Thank you; that is very kind, and true too.

Q.—Yes, it is true. And it is very commendable, but unfortunately we have got to get into this matter in this inquiry; and you will have to loosen up, as far as you can? A.—That is an insinuation that I am not telling things truthfully.

Q.—No; but you will have to get your mental view-point changed as much as you can; that is what I mean. A.—My mental view-point is to do my duty, and always do it.

Q.—There is no need to answer my questions like that; I am not insinuating anything of the kind. A.—Yes, you are; pardon me.

Q.—Well, we are going a little too far; there is no need to get into a discussion of that sort. I ask you if you will tell me what Sir Richard McBride told you, or what made you think that he was worrying about the railway; will you answer that, or do you refuse? A.—I refuse to answer it.

Q.—You mean to say that you cannot answer? A.—Cannot answer.

Q.—Cannot answer? A.—No.

Q.—I may be wrong, but it seems to me extraordinary that you cannot answer that question? A.—No, I do not think it is extraordinary at all. I leave it to any man who knows anything about the human mind and memory, he won't think it extraordinary; but I am not going to say anything that is not strictly true.

Q.—Do I understand you that you mean to say that you are unable to give the substance of what Sir Richard McBride told you as to this railroad, and as to the feature that was causing him trouble? A.—No, most decidedly not.

Q.—You mean to say that he disclosed nothing to you? A.—I was never in the confidence of Sir Richard McBride or the Government.

Q.—I think that answers it to a large extent. A.—It would be a very strange thing if an employee of the Government thrust himself upon the Ministry, and made himself objectionable.

Q.—You say you went a little further than that, Mr. Gamble; you made two attempts? A.—No, no, no.

Q.—To thrust this feature upon the Minister? A.—Beg pardon, no.

Q.—Pardon me, now you did, you told me so; and you have the letter, you changed your form of a letter, and you coupled it with a conversation? A.—I thought you stated I made two attempts to thrust in wrong evidence.

Q.—No; well, now, don't get so suspicious, and just answer my questions? You made two attempts; one was to change the language in Certificate No. 20; another was to write very pointed letters in Certificates 25 and 26, because you properly have the responsibility? A.—That is right.

Q.—Very well, now; you did to that extent thrust yourself upon the Ministry? A.—Only because I thought it was my duty, not that I had been asked for it.

Q.—Were you asked for those letters in Certificates 25 and 26? A.—To the extent that I was asked to report.

Q.—Anyway, you did, to a certain extent, thrust yourself upon the Ministry; now, didn't you follow that up to get some satisfaction? A.—No.

Q.—How did you know how to act in the future? A.—I sent them in, in just exactly the same way.

Q.—Some time after this they wanted some advances made on this loan? A.—The Loan Bill.

Q.—That is the time that Mr. Tate was there, and retired, leaving you and Sir Richard McBride together; do you remember that conversation? A.—Yes.

Q.—When was that? A.—Yes; there was Mr. Bowser, and Mr. Tate, and Sir Richard McBride, and myself; and Sir Richard McBride wanted to know if it was not possible to make—to give them half the retention; and my reply was, "Why, Sir Richard," I said, "you have already overpaid that."

Q.—Yes; go ahead, please. A.—That is all.

Q.—That is all? A.—M-m.

Q.—What did he say; what did you say? A.—Well, I think he said something about being very anxious to push the work to a conclusion. He thought, so far as I can recollect, that it would be a pity not to operate the road, and as soon as possible; and I quite agreed with him from the engineering standpoint, it would be a pity to let the work lie as it was, and not do anything for years, maybe.

Q.—What else was said? A.—I think that is about all.

Q.—That is all as far as you can recollect? A.—That is all as far as I can recollect.

Q.—Now, it occurs to me as a strange thing, in all we have talked about up to date, you have not mentioned any conversation with your own Minister; of your Department, the Minister of Railroads, Thos. Taylor? A.—That is right.

Q.—How was it that you were talking to Sir Richard McBride, but you did not talk to your own Minister, the Minister of your own Department, and the head of that Department? A.—Because Sir Richard McBride seemed to be the one in control of the whole situation.

Q.—Although there was a Minister of Railroads, and this was the only railroad they had to deal with it in the whole Province? A.—No; the C.N.P.

Q.—That was being built? A.—That is right; and the Kettle Railway.

Q.—What had you to do with the Kettle Valley? A.—Gave it a subsidy.

Q.—It was not being paid out in instalments, was it? A.—Yes, it was on estimates.

Q.—And some subsidies? A.—They were to get so much a mile, as the miles increased.

Q.—At the time you were looking after the Pacific Great Eastern Railway you were the sole member of the staff? A.—I was solist.

Q.—You had the Kettle Valley Railway up in the Okanagan, and you had the Canadian Northern from the Provincial boundary to Vancouver and on the Island; and you had the Pacific Great Eastern Railway, 480 miles of line? A.—Yes.

Q.—You had to inspect those for the purpose of protecting the Government as with this? A.—Yes.

Q.—And there were very large subsidy payments? A.—Yes; in addition to that, I had the inspection of various parts of the British Columbia Electric Railway Company, and the inspection of the bridge at New Westminster, and charge of the work on the Songhees Reserve, besides my office routine.

Q.—You will agree with me that this is true, anyway—namely, that it was absolutely ridiculous to expect the Government to get any kind of protection, loading you with that amount of work? A.—I dare say you are right.

Q.—No man can do it? A.—No; all the same, I did pretty good work.

Q.—I am not saying that you did not? A.—No.

Q.—However, you had no conversation about this matter with Mr. Taylor? A.—None whatever.

Q.—Did he not even direct you to Sir Richard McBride? A.—No; it was this way: I wanted to point out to you, Mr. Taylor—it may relieve your mind in this connection—that although I was chief engineer of the Department of Railways, I was simply loaned to the Department of Finance. I was not an officer of the Department of Finance; I was simply loaned to them to do this work for them.

Q.—I see; in other words, you were loaded with these extra duties? A.—Yes.

Q.—Well, I think we have nothing further to gain along that line; you have given it us as fully as you can; I will take up another branch with you.

The Chairman: Before you do that, you asked him a question and you didn't get the answer; it was about that conversation when Mr. Tate and Mr. Bowser were present; we didn't get the date of it.

Mr. Taylor: Yes; what was the date of that conversation between Mr. Tate, and Mr. Bowser, and Sir Richard McBride, and yourself? A.—(To Mr. Tate.) You remember, Mr. Tate; I don't.

Mr. Tate: No, I have not got that myself.

Mr. Taylor: Well, when the Loan Bill was passed, is that the time?

Mr. Gamble: It is not the Loan Bill.

Mr. Tate: It is the part held back.

Mr. Taylor: That is, when they paid half of the hold-back? A.—Yes, half of the retention; it is called retentions.

The Chairman: You were holding back 10 per cent. were you? A.—10 per cent.; that was on the contract-work.

Q.—What do you mean by the contract-work? A.—The 10 per cent. of the work done under contract.

Q.—On the basis of the Pacific Great Eastern contract with Foley, Welch & Stewart? A.—Yes; P. Welch, or the firm of Foley, Welch & Stewart.

Q.—You were deducting 10 per cent. of the contract? A.—Yes.

Q.—And on that basis you considered you had largely overpaid him? A.—Yes.

Q.—And then the proposal was that you could pay half of this 10 per cent.? A.—Yes.

Q.—And at that time you pointed out to the members of the Government present that they were already greatly overpaid? A.—Yes.

Q.—That is, on the interpretation of clause 9? A.—Clause 9.

Q.—Subsection (d)? A.—Yes.

Q.—Was there any suggestion on anybody's part that this was a mere mass of hopelessly jumbled-up words? A.—No.

Q.—You had no trouble at that time to put your interpretation on them? A.—No.

Q.—You had no trouble in interpreting them yourself? A.—No, none whatever.

Q.—What was your interpretation? A.—Of this Act?

Q.—Of that section, at the time when you told them they were overpaid? A.—My interpretation was that you would have to take into consideration the plant and the supplies furnished, but the Company were not furnishing these; it was Mr. Welch; therefore you would hardly give them a fair proportion. There were over 5,000 or 6,000 men—

Q.—You are giving the application; I want the interpretation of the section? A.—I was just simply taking the value of the work done, the total value of the work done; divide it by the final cost, which would give a percentage, and then would multiply the proceeds of the bonds by that percentage; it would give them a proper estimate.

Q.—Now, was there any other interpretation ever suggested to you by anybody that would be put on that section? A.—None whatever.

Q.—You always considered that to be the interpretation? A.—Yes; if it was carried out, that would be the interpretation.

Q.—And in your discussions with the Minister and any other parties concerned in this deal, was any other interpretation than this ever suggested to you? A.—Never.

Q.—It was common ground, was it, as far as you know? A.—Common ground.

Q.—And when you told them that they were fully paid under that section, did anybody ever at any time dispute your position in regard to that? A.—Never.

Q.—It was not challenged, it was simply ignored? A.—Never challenged.

Q.—Simply ignored? A.—M-m; I suppose that is one way to put it.

Q.—Perhaps I will leave that out. How was this 10 per cent. hold-back arrived at? A.—You take the total—

Q.—No, no; how was the 10 per cent. arrived at; how was that practice arrived at of doing it? A.—That is the practice in all railways.

Mr. Hanes: It was in the contract.

Mr. Taylor: But it is the usual thing on all railways?

The Chairman: I mean to say, from the standpoint of the Government dealing with trust funds, how did you adopt that practice which was in clause 9? A.—Because it was necessary to reduce that by 10 per cent. in accordance with Welch's contract, so that there was not the possibility of their being overpaid, in order to correct any error, or to make any adjustment that might occur during the work.

Q.—When the 10-per-cent. practice was abandoned, it was abandoned as to all the past, was it? A.—Abandoned—I don't think it was abandoned.

Q.—Well, it was cut in half? A.—Yes.

Q.—That hold-back would apply to all the contract-work?

Mr. Taylor: I have it here.

The Chairman: It is shown there.

Mr. Taylor: I will read it, and if you want, you can ask some questions after it. Certificate 35 will give you the date when the conversations took place.

Q.—Certificate No. 35; this gives you the date, the approximate date of the conversation?

A.—Yes; what year was that?

Q.—I will just read it: "Department of Railways, P.G.E.R. Certificate No. 35. Chief Engineer's Office, 6th July, 1915. I hereby certify: 1. That to the best of my knowledge and belief the total value of the work performed by the Pacific Great Eastern Railway between Lonsdale Avenue, North Vancouver, and Fort George, a distance of 419.6, miles is—

Witness: 479.

Mr. Taylor: "479 miles is \$18,173,168.42.

"2. That the Minister of Finance has paid to the Pacific Great Eastern Company, on account of the value of work done and to be done, \$16,640,529.05.

"3. That the balance of the value of the work performed is therefore \$1,532,639.37.

"4. That a further payment of one-half—namely, \$766,319.68—of the said balance, in view of the necessity for the continued prosecution of the work, is justifiable; the remaining half, together with the completed road and supplies on hand, being sufficient security."

Witness: That is right.

Q.—\$766,319.68—amount of this estimate. Signed "F.C. Gamble, Chief Engineer." A.—That is right.

Q.—You arrived at the figures contained in this certificate not by an inspection of the road, but by a perusal of the estimates sent by P. Welch's office? A.—Not P. Welch's office.

Q.—Well, to you, the Pacific Great Eastern Railway? A.—Yes.

Q.—I understood the evidence that it was taken as of P. Welch's office? A.—M-m.

Q.—And when you say in this last paragraph—4—as follows: "That a proportionate payment of one-half—namely, \$766,319.68—of the said balance, in view of the necessity for the continued prosecution of the work, is justifiable"—A.—That is right.

Q.—You take the responsibility for this? A.—Yes.

Q.—"The remaining half, together with the completed road and supplies on hand, being sufficient security"? A.—Yes.

Q.—You didn't know what supplies were in at all, from inspection, did you? A.—Oh, but I knew they were there, that they had had them on the ground.

Q.—You didn't know, from inspection of that road, just how much that road was completed? A.—Yes, I did.

Q.—You knew that from inspection? A.—Yes.

Q.—You didn't know anything about the cost of the road except the estimates sent you by the Pacific Great Eastern Railway? A.—That is it.

Q.—You didn't know anything about the necessity for the continued prosecution of the work being justifiable—justifiable on account of the necessity for the continued prosecution of the work, in spite of what Mr. Tate said in the presence of Mr. Bowser? A.—No, I don't remember what Mr. Tate said.

Q.—And Sir Richard McBride? A.—My idea was, it was most desirable that the work should continue.

Q.—My idea in these questions is to make myself plain to you; up to date, you have taken the position that you were loaned to the Department of Finance for a certain purpose, and that you took no responsibility; but here we find you in this last paragraph taking a great deal of responsibility. There the responsibility is: (a.) That the necessity for the continued prosecution of the work justifies the payment of one-half of the retention. (b.) That there is a difference of \$1,532,639.37 between the moneys paid and the work done. (c.) That the remaining half of the difference, and the completed road, and the supplies on hand, justified paying all this \$766,319.68. Any person can see that they didn't deduct \$760,000 of hold-back overpayments which had to be retained. A.—Yes. I did that on request.

Q.—Do you mean to say that you made those representations in the certificate at the request of Sir Richard McBride? A.—I mean to say that I was asked to state my opinion on that; I think it was Sir Richard asked.

Q.—There now is an illustration of the disadvantage of not recollecting what Sir Richard said when I asked you? A.—It is a most unfortunate thing, but a man is only human.

Q.—Then, you made these representations because Sir Richard McBride asked you to make the representations.

Mr. Maclean: No, he didn't say that.

Mr. Taylor: You were asked to give your opinion? A.—To give my opinion, that is it.

Q.—And you made the representations? A.—No; I was asked to give my opinion.

Q.—It strikes me that they are one and the same; but you gave "your opinion" of these matters because you were asked? A.—Yes.

Q.—What had you to go upon in giving that opinion except what was said to you? A.—My knowledge.

Q.—We will deal with that. Have you your diary here showing how many trips of inspection you have actually made over this road, or any part of it? A.—I have a statement prepared in which it shows that I had eighty-five trips over the railway between its inception in September, 1912, and February, 1917.

Mr. Taylor: That will be Exhibit—

Q.—What, Mr. Gamble, is the sum of these dates equal to eighty-five times? A.—What did you say?

Q.—Is the sum of these dates equal to eighty-five times? A.—Yes.

Q.—That is what I mean. If we add each and every one of these dates together, they would equal eighty-five? A.—If you add them up they will make eighty-five; unless, of course, you want to make any other greater quantity of them. Here is a little thing at the bottom that may assist you.

Q.—Yes, yes; I see. Yes. This shows more than the times he was actually on any portion of the line; but on the bottom of each page there is a summary of the times he was on the line, and the times he was at the office of the P.G.E. Railway. This means, of course, simply the time as it shows on its face. I need not ask you that question. The time he was at any portion of it—such as on the end of Marine Drive on foot—that is one visit; "to examining the location on Lonsdale Avenue, westward, on foot"; and another time, "examining the line in West Vancouver."

Mr. Maclean: He sets out in every case the part of the railway he inspected?

Mr. Taylor: Yes. Have you made a summary of the times you actually made an inspection from Squamish north? A.—It is all there.

Q.—You could not tell me the number of times you visited the line from Squamish north? A.—No, I could not.

Q.—Well, of course, that is an important feature, and it should be counted up. However, this shows the whole thing, and this is a true statement? A.—It is a true statement.

Q.—Prepared by yourself? A.—Prepared by myself.

Q.—From the data in your office? A.—Yes.

Q.—That will be Exhibit what?

The Secretary: Exhibit 177.

Mr. Taylor: Had you any person assisting you in making these inspections? A.—I had Mr. McIntyre a couple of years ago.

Q.—And have you included his inspections in this statement? A.—I think they mention his name.

Q.—And I take it that this Exhibit 177 covers Mr. McIntyre's visits as well as your own? A.—No, not all of his.

Mr. Maclean: That is, it covers the times that Mr. McIntyre was with you? A.—Yes, it covers when he was with me.

Mr. Taylor: You had no person on the ground checking up the work? A.—No.

Q.—No resident or divisional engineer? A.—No. I followed the practice of the Dominion Government altogether.

Q.—You mean now, in connection with this world-famous and oft-referred to Grand Trunk Pacific? A.—Yes.

Q.—Which seems to be made the excuse for everything that has gone on here? A.—Well, you can corroborate this by—

The Chairman: Just a little louder, please, Mr. Gamble. A.—Well, I say that I could corroborate the practice on the Grand Trunk Pacific by calling in any other engineers on the

C.P.R. and other roads; that the Government accepts the Company's estimates on all occasions unless they find something is wrong.

Mr. Taylor: Mr. Gamble, if the Grand Trunk Pacific followed a negligent, careless, and dishonest practice, would you have followed it? A.—Well, I dare say that I would not; but I am not anticipating that there was anything dishonest. That is rather an insinuation, and it is not a fair one. It is not an honest insinuation.

Q.—We will not argue whether it is honest or unfair, or whether it is an insinuation. Would you follow it? A.—Not to steal anything—I would not. I would not do anything that I thought was dishonest.

Q.—Because we have had this Grand Trunk Pacific thrown in our face whenever the Pacific Great Eastern witnesses have got into a close corner, and I simply want to know your opinion.

Mr. Pooley: Was it proven by your inspection that the Grand Trunk Pacific was dishonest? A.—No, it was not; and I may tell you why—the chief engineer of the Grand Trunk Pacific is Sir Collingwood Schrieber, who is a man above reproach, and he had a man on this work every few hundred miles or so, who walked over the line and saw everything was all right, and Sir Collingwood came out three or four times a year, I think. But he accepted the Company's estimates.

Mr. Taylor: You mean the Grand Trunk Pacific had engineers over the different sections of the line, resident on those sections? A.—Yes.

Q.—And you had not a single man? A.—The Grand Trunk Pacific has the same as the P.G.E.

Mr. Maclean: You said the Grand Trunk Pacific?

Mr. Taylor: You must have been mistaken; you meant the Dominion Government had different engineers over the line of the Grand Trunk Pacific, hadn't they? A.—I knew two of them.

Q.—They were resident engineers. And you did not have a single engineer resident upon the construction of the P.G.E.? A.—No.

Q.—Then, how did you follow the practice of the Dominion Government in connection with the Grand Trunk Pacific?

Mr. Pooley: What was the length, as a matter of fact, of the Grand Trunk Pacific line? A.—I think it was from Yellowhead Pass to Prince Rupert, over 700 miles—I think so.

Mr. Hanes: How many Government engineers were on that section? A.—I think there was one every 100 miles.

Q.—That would be seven engineers, then? A.—Yes.

Q.—You made the statement that you were following the practice of the Dominion Government in connection with this line? A.—I said we were following the practice in accepting the estimates of the Company.

Q.—But you were not following the practice with regard to inspection? A.—No; but my inspection was more extensive than theirs.

Mr. Taylor: Yours was more extensive than theirs? A.—Yes.

Q.—Your inspection as chief engineer, as compared with Sir Collingwood Schrieber's inspection, was more extensive? A.—No; smaller.

Q.—Yours was smaller, or his? Let me get that straight. What did you mean when you said that your inspection was more extensive? A.—The extent of the line that I had to inspect was greater than Sir Collingwood's engineers on the Grand Trunk Pacific.

Q.—Well, then, you and I agree? A.—Yes, for once.

Q.—You looked after more mileage than any man on the Grand Trunk Pacific? A.—Yes.

Q.—Well, that is exactly what we are complaining of—the work that you had to do? A.—Well, they ought to have raised my salary.

Q.—Well, that is what they should have done. Did you point out to the Government, if they wanted to have any check worth while calling a check on the actual cost of construction, that they needed a different system of inspection? A.—No; I did not think so until I asked for Mr. McIntyre.

Q.—When did you ask for Mr. McIntyre? A.—It is over two years ago now.

Mr. McIntyre: Two years ago last March.

Mr. Taylor: That is March, 1915? A.—Yes.

Q.—And you got him then? A.—Yes.

Q.—Did you put him right on the line or keep him in the office? A.—We kept him in the office, and we went out on the line.

Q.—In the Government Parliament Buildings at Victoria? A.—Yes.

Mr. Pooley: And he went out on the line, did he? A.—Yes.

Mr. Taylor: And he did other work than look after the work of the P.G.E.? A.—No, very little.

Q.—What about the Kettle Valley Railway? A.—He had nothing to do with that.

Q.—Or the Canadian Northern? A.—He had nothing to do with that.

Q.—Did he have any office duties here outside of the Pacific Great Eastern? A.—No.

Q.—Has he been continuously with you from that time up to the present? A.—Yes.

Q.—And has been doing nothing excepting the P.G.E. work? A.—That is all.

Q.—He never signed any of these certificates? A.—He never signed any of the ones that I signed, but he signed some under the Loan Bill.

Q.—That was 1916. Mr. Kennedy signed some, and Mr. McIntyre now, under the Loan Bill? A.—Yes.

Mr. Maclean: Did you sign all the certificates from 1 to 41, Mr. Gamble? A.—Yes, from 1 to 41.

Q.—Then you signed no more after that? A.—No.

Mr. Taylor: You do know, however, Mr. Gamble, that for the protection of the Government, the inspection that it was possible for you to make, labouring as hard as you could labour, was an absolutely inadequate one; you know that, don't you? A.—Just in a way it was; but we depended on the engineers of the Company, who we considered were trustworthy men.

Q.—That is, you depended on Mr. Callaghan? A.—Yes, Mr. Callaghan. You see, if you did not do that, if you had to check all the work, you would have to duplicate the staff of the P.G.E., which would be altogether an unnecessary expense.

Q.—Well, you have stated it very fully, and have placed great responsibility on Mr. Callaghan, if I may say so, when you say you depended on Mr. Callaghan's reliability? A.—Yes; and he depended on those under him.

Q.—Naturally he would depend—not absolutely on those under him, but to a large extent on those under him? A.—Yes.

Q.—That is all, thank you. You had better wait until the Chairman comes back; he might wish to ask you a question.

Mr. Hanes: Mr. Gamble, when you said you made a recommendation there to the Prime Minister that one-half of the 10 per cent. should be paid— A.—Yes.

Q.—What did you mean when you said the balance of the 5 per cent. would be ample security? A.—The balance of the 5 per cent., and the value of the road, it would be ample security.

Q.—To finish the road? A.—Yes, to finish the road.

Q.—Are you still of that opinion? A.—Oh, well, things have changed since that. It puts me in mind of how things have changed since the war began.

Mr. Taylor: Well, that money was paid in July, 1915, a year after the war began? A.—Yes, that is so.

Q.—That hold-back was paid in 1915? A.—Yes.

Q.—Certificate No. 35, Exhibit No. 39.

Mr. Hanes: Now, when you signed these certificates from No. 1 to No. 20 as the chief engineer, and recommended them for payment, how did you, as an engineer, know that any of the quantities in there were correct? A.—I took, as I said before, the Company's estimates, after checking it up with the profile and inspection.

Q.—Then you have stated up until two years ago that you had no assistant to help you? A.—No assistance.

Q.—And you also stated that you did not recommend to the Government that you should have any assistance on the road? A.—Up to that time, that is quite correct. I was ordered to do certain things and I went and did it, until I could not stand the strain any longer.

Mr. Maclean: Have you finished, Mr. Hanes?

Mr. Hanes: Yes.

Mr. Shatford: Well, Mr. Gamble, immediately you made the recommendation to the Government for assistance, it was complied with? A.—Yes; I represented that to the Minister of

Railways. I went to him and he said he would put it up to Sir Richard McBride, and I said it was impossible for me to stand it any longer, and Sir Richard authorized the employment of Mr. McIntyre.

Mr. Maclean: Mr. Gamble, I want you to carry your mind back to that conversation that you had with Sir Richard McBride, Mr. Bowser, Mr. Tate, and yourself? A.—Yes.

Q.—At that conversation I understand you impressed upon those present the necessity for the completion of the road from an engineering point of view? A.—Yes, from an engineering point of view.

Q.—Just go into that a little more fully and tell us what you said, and why you said it? A.—Well, I told them, I think—you place me in the same difficulty that Mr. Taylor did when he asked me to repeat conversations that took place so long ago. I told Sir Richard it would be a great mistake not to do everything possible to carry on the road.

Q.—Why, now? A.—Because it would deteriorate.

Q.—Well, just go on? A.—I will tell you another reason.

Q.—Just go on and explain that a little more fully from an engineer's point of view. How would it deteriorate? A.—By slides, storms, snow, and all those things, it would deteriorate.

Q.—I suppose even a completed road, unless carefully watched by sectionmen, is apt to deteriorate? A.—Very much so.

Q.—Well, then, what would you say of a road under course of construction if it is abandoned? A.—If it is abandoned?

Q.—Yes. A.—Why, it would get all filled up with slides and wash-outs, and the banks would sliver away. The rock-slides would come down, and the grading would be interfered with.

Q.—Then, was it your opinion that it was almost absolutely necessary in the interests of the Province that that work should be proceeded with? A.—Yes, it was my opinion; and I will give you another reason for that.

Q.—Did you so express yourself? A.—Yes, I think so. That is my opinion. And I will tell you another reason, Mr. Maclean. It is a matter, I suppose, that I have no business to express an opinion on, but my opinion was that it was a distinct advantage to the Province to carry that road through with the least possible delay. There was a magnificent country up there to be developed, and they were just simply stagnant for want of a railway. That is true, isn't it, Mr. Yorston?

Q.—Now, Mr. Gamble, you have been over that railway a large number of times? A.—Yes, I have not been over it all.

Q.—No; I understand. What is your opinion as to the work done by the Company on that road? A.—The work done is very fair—very fair indeed. Of course, the Pacific Great Eastern Railway, on account of the weight of the rail used in it, is not in the same class as the Canadian Northern Pacific. The Canadian Northern Pacific used an 80-lb. rail, and the P.G.E. is using a 60-lb. on level ground and a 70-lb. on a heavy grade.

Q.—Well, so far as the location of the line was concerned, and so far as the construction of the right-of-way is concerned, what do you say about it? A.—I say that the construction is very fair, and the location of the line is excellent, and every bit of ground that could be taken advantage of in the construction has been taken advantage of.

Q.—Well, for what purpose taken advantage of? A.—For locating it.

Q.—You mean for economically locating the road? A.—For economically locating the road, yes.

Mr. Pooley: I would like to ask one question here, if you will allow me. You talk of the difference in the weight of a rail. What is the difference in having a difference in the weight of the rail? A.—It makes a very much better track to have a heavy rail.

Q.—For the question of speed? A.—It is not so apt to bend.

Q.—I am not an engineer; but just for my own information, on the very fast railways they have a very heavy rail, don't they? A.—Yes, a very heavy rail indeed.

Q.—But it is more for a question of speed than anything else? A.—Yes, for speed and maintenance. You know it is a very serious difference. If you go on a railway that only has a 60-lb. rail, and then you suddenly slide on to a piece of track with an 80-lb. rail, you will soon realize the difference. There is a tremendous difference in the smoothness of the running.

Mr. Taylor: And there is a tremendous difference in the wear and tear of your rolling-stock too, isn't there? A.—Yes, in everything.

Q.—Then I would ask you, who permitted this P.G.E. Railway to use a 60-and 70-lb. rail?
A.—I cannot tell you.

Q.—The Statute says, in their contract, Schedule A, dated the 10th day of February, 1912, section 8 (d), “that the line above mentioned, when completed and equipped, shall in all respects, apart from grades and curvatures (as to which the character of the country through which the line passes shall be taken into consideration), be equal to the standard of the main line of the Canadian Northern Railway as constructed between the City of Winnipeg, in the Province of Manitoba, and the City of Edmonton, in the Province of Alberta.” A.—Well, I am very glad that you brought that up. This road as built to-day is infinitely superior to that.

Q.—I am talking of the line of railroad? A.—Yes.

Q.—I am talking of the rails—the weight of the rails; what about them? Why did you permit a 60-lb. rail to be used on this road? A.—Well, a 60-lb. rail was also on the Canadian Northern at the time it was built. There was a 60-lb. rail.

Q.—Just a moment. Mr. Tate says I had better complete it, and I will: “In the Province of Alberta as the condition of that line was then first completed and ready for operation?” A.—Yes.

Mr. Pooley: So the P.G.E. is even better than that? A.—Yes.

Mr. Taylor: When first completed? A.—Yes. I went over that railway at the time of the Canadian Northern Pacific contract.

Q.—Now, just let me finish. Do I understand you to say that the Canadian Northern Railway put 60-or 70-lb. rails on their main line? A.—I did not say that.

Q.—Say for 400 miles east of Edmonton? A.—Yes, they did.

Q.—When it was first constructed? A.—Yes.

Q.—And are they there yet? A.—No; they are changing it.

Mr. Pooley: It is the same as the C.P.R. are doing. They have been increasing the weight of their rails ever since.

Mr. Taylor: Well, then, this Province has to look forward to the delightful thought that they have to take up all these rails at some time in the future, and put down new and heavier ones. I would suggest, Mr. Pooley, that if you considered the interest of the Province a little more on that subject, you might get some more votes.

Witness: Now, look here—the C.P.R. put down 60-and 56-lb. rails first.

Mr. Taylor: But that was way back in 1885, and here you are spending \$28,000,000 on the P.G.E. in 1917.

Mr. Yorston: And what about the Grand Trunk Pacific?

Mr. Tate: They have 80-lb.

Mr. Taylor: The Grand Trunk Pacific put down the heavy rails right from the start, from one end of the line to the other? A.—I don't think there is any occasion for building a colonization road, to go to all the expense that they have done.

Q.—Well, do you say that all the Province has the right to look forward to on this road for a while is a colonization road? A.—Yes; for the development of the country.

Q.—And they are spending \$28,000,000 on it? A.—Yes.

The Secretary: Mr. Gamble, didn't you realize that the engineers on the Pacific Great Eastern were very closely allied to the contractor? A.—I never knew anything about it.

Q.—Well, you knew that P. Welch was a member of the firm of Foley, Welch & Stewart? A.—I knew he was, yes.

Q.—And you knew that Foley, Welch & Stewart were the P.G.E.? A.—Yes; but not Welch, I didn't—I did not know anything about Welch.

Q.—You thought Welch was different? A.—Yes; I thought he was out of it altogether.

Q.—You thought he was out of it? A.—Yes.

Q.—You would not have trusted to any of his employees if you knew Mr. Callaghan was virtually in his employ, would you? A.—No, I would not.

Q.—Well, the fact is that he was virtually an employee of P. Welch, because it is now sworn to and there have been letters produced showing that Foley and Stewart had a third interest with P. Welch in that contract, and that Foley, Welch & Stewart are the P.G.E.? A.—Well, I never knew it.

The Chairman: Don't you think that makes the position different to what was existing on the Grand Trunk Pacific in that way? A.—Yes, quite different.

Q.—Now, are you through Mr. Taylor, because I want to ask some questions? I have here, Mr. Gamble, Exhibit 49, a letter of October 26th, 1914. Is it a letter written to you by Mr. Tate, in which he sets out, "Referring to our progress estimate No. 26 for the month of September, that is still awaiting the signature of his Honour the Lieutenant-Governor"—now, Mr. Tate suggests he wrote you this letter on account of some inquiries being made by the Lieutenant-Governor, and this letter was sent to you. You are familiar with this letter, aren't you? A.—Let me see it, will you? That is right enough. Yes, I remember it.

Q.—Well did you communicate the contents of that? A.—Eh?

Q.—Did you communicate the contents of that? A.—No. I suppose, naturally, that Mr. Tate did; he would write to the Government and not to me on that subject. This was only for my own information.

Q.—Well, did you take any steps in the matter at all? A.—No, none whatever. I might have asked Mr. Tate if he sent one to the Government.

Q.—Well, never mind Mr. Tate now. Had you communicated with Mr. Tate prior to that letter? A.—No, not that I know of or remember. I might have, but I don't think so.

Mr. Taylor: Just let me see that, will you, Mr. Maclean, please?

Witness: There is nothing there that I know anything about.

Mr. Maclean: That is Exhibit 49.

Witness: Exhibit 49, is it?

Mr. Taylor: Yes. You see Mr. Tate used very peculiar language here. He refers to progress estimate No. 26 for the month of September. That is the one that had your special letter attached to it, wherein you drew attention to the lack of proportion in these payments—Exhibits 25 and 26. Then in the third paragraph of this letter he says, "Answering the point raised by His Honour in regard to the balance of moneys necessary for the completion of the line beyond the proceeds of the sale, I beg to assure you that these will be forthcoming when required." As a matter of fact, the Lieutenant-Governor had refused to sign the Order in Council authorizing these moneys to be paid out with this lack of proportion existing, and apparently you had communicated that to Mr. Tate? A.—No. I never knew that the Lieutenant-Governor had taken any exceptions to it. The Government never notified me.

Q.—He says in the first paragraph of this letter, "Referring to our progress estimate No. 26 for the month of September, that is still awaiting the signature of His Honour the Lieutenant-Governor," and the question raised by him as to the volume of unfinished work and the amount of funds available for its completion. Now, you knew from this letter that this question was raised, anyway? A.—Oh, yes.

Q.—That is very explicitly stated by Mr. Tate in the first paragraph; and he says in the third paragraph, "Answering the point raised by His Honour in regard to the balance of moneys necessary for the completion of the line beyond the proceeds of the sale of guaranteed securities, I beg to assure you that these will be forthcoming when required. The work is being conducted in the most economical manner with a view to a complete utilization of the whole line on the date set in our agreement with the Government, and to ensure this the Company has furnished security to the satisfaction of the Government as provided by the said agreement." Now, you see, you raised the point in Certificates 25 and 26, and the Lieutenant-Governor backed you up and withheld his signature. This letter was sent to you to break down your objection and the Lieutenant-Governor's objection, wasn't it? A.—It didn't have any effect on me.

Q.—Did you communicate that letter to your Minister? A.—No.

Q.—And you did not communicate it to the Lieutenant-Governor in any way? A.—No.

Q.—Directly or indirectly? A.—No, it had nothing to do with me.

Q.—The money was paid out on Certificate No. 26 after this? A.—Yes. But that was a matter connected with the Government and not with me. I am simply an official of the Government. Sometimes I overstep the mark.

Q.—What did you do with these letters when you got them? A.—I filed them.

Q.—And that is the last that is heard of them? A.—Yes. I never take any notice of any letter that looks to me to take action of that kind over something which I have nothing to do with.

Q.—Why would Mr. Tate write to you if you never said anything to him? A.—I don't know. There was no use sending it to me.

Q.—He knows the procedure of Governments and of this Government particularly too well to make any mistake of that kind? A.—Well, I think it was a mistake of his.

Q.—You think it was a mistake of his, and you never even mentioned this letter to him afterwards? A.—No.

Q.—Were you aware that the very next day, October 27th, 1914, he sent a letter to Mr. Bowser which was as much the opposite of this letter as anything could be, telling Mr. Bowser that if the Government did not come through with this Certificate No. 26 immediately—the money for it—he would turn 6,000 or 7,000 men loose in the City of Vancouver without their pay? A.—I only heard of it in his evidence here.

Q.—And you had never heard of that telegram before, had you? A.—No.

Q.—Although you are the chief engineer and the sole representative of the Government? A.—No, I am not the sole representative of the Government. There is where you are making a mistake.

Q.—You said you were solist? A.—That was as far as the staff was concerned.

Q.—Well, you did not wait until I was through. I was just going to say as far as the Engineering Department was concerned? A.—Well, the matter of arranging the loan, and all that sort of thing, I never had anything in the world to do with it.

Q.—But your certificates are the things on which the Executive has acted. This shows here. We have the Orders in Council on which the Minister of Finance signed his certificates releasing those trust funds, and they operated, as I said before, as the key to open up the public chest; that was done; your certificates show that they had that effect. And you received this letter, and you said that you did not do anything with it? A.—No, nothing whatever.

The Chairman: You knew, Mr. Gamble, that Foley, Welch & Stewart and P. Welch were one and the same? A.—No, I did not know it.

Q.—Now I say if you had known it, what steps would you have taken? A.—Well, I would have declined to have anything to do with it.

Mr. Taylor: You would have considered it an improper situation? A.—It would have put me in an improper situation.

Q.—Well, that is a fact. A.—Well, I knew nothing about it.

The Chairman: You would have considered it so improper that it would have been impossible for you to have worked it out? A.—If I had known Mr. Welch was the employer of all the engineering staff, and everything connected with the road, and the P.G.E. was not, I would have withdrawn.

Q.—Or you would have put an independent engineer on to check it up? A.—Yes.

Q.—From end to end? A.—Yes.

Q.—Well, anyway, that was what was done? A.—Well, I don't say it was done intentionally.

Q.—Well, the Committee can draw its own conclusions. As a matter of fact, you did not hear of it? A.—No.

Q.—Now, what effect would you consider that would have on the fixing of the prices between P. Welch, contractor, and the Pacific Great Eastern Railroad? A.—Well, it depends on the policy that they were going to adopt. My own idea would have been that they should have called for tenders, like the Canadian Northern Pacific did.

Q.—You have heard the evidence given here at the earlier stages, or do you know what evidence was given in regard to certain overpayments, due to wrong classifications? A.—No, I don't. I was not up here. I was down in my office.

Q.—Do you know anything about that as an engineer? A.—Overpayments? What were they?

Mr. Pooley: As to classifications? A.—Yes, I knew about them.

The Chairman: Did you discover those? A.—Eh?

Q.—Did you discover those? A.—No, I didn't. But you must remember that these estimates given are progress estimates. They are not the final estimates. The final estimates give the whole work, and the estimate of quantities, and items must be checked up.

Mr. Taylor: But that is hardly an explanation, is it, when we have to deal with this peculiar condition? A.—Oh, well—

Q.—Just a moment. That in this case the Government were paying their money out—the Government (the third party) were paying their moneys out, their \$18,000,000-odd, on these interim estimates, and therefore they should be practically equal to final estimates in accuracy,

shouldn't they? A.—No. There is no enterprise in the world, big or little, where there is not some blunder or oversight steps in.

Q.—That is all you would except—some blunder or oversight? A.—Yes.

The Chairman: Wouldn't that make it all the more necessary to have a substantial amount held back? A.—I beg your pardon?

Q.—Wouldn't that make it all the more necessary for the Government to hold back a portion of those trust funds? A.—Yes; it would have been far better if they had.

Mr. Taylor: But remember, only a part of that was released. The other half has not yet been released. The part that was released was released on your particular representation? A.—On my responsibility.

Q.—On your "opinion"? A.—Yes, on my opinion. That is a proper word.

Mr. Maclean: If that certificate had been held up in the particular circumstance of that case, would there have been as much road built? A.—I could not say about that.

Mr. Taylor: That all comes back to this question: If this were a *bona-fide* Company putting up their own money, you would have had the whole road built.

Mr. Hall: I think this is clear, but I would like to get it beyond question. Do I understand that you only held back 10 per cent. from the beginning on that which was sub-contracted? A.—No. I had nothing to do with the sub-contracts.

Mr. Maclean: On P. Welch's contract? A.—On P. Welch's contract.

Mr. Hall: You held back all on P. Welch's contract? A.—Yes.

Q.—And I understand that the Railway Company were to pay up to P. Welch all except that 10 per cent.? A.—Yes. But that is only on contract-work—that 10 per cent. you mean. I mean P. Welch's contract.

Q.—Yes.

The Chairman: Well, that covered everything, didn't it? A.—Yes; that was everything as far as I was concerned.

Mr. Hall: Well, do I understand that you paid for the whole of the executive expenses, and all of P. Welch's, except 10 per cent.? A.—We paid the whole of the executive work.

Q.—And all of P. Welch's work? A.—Yes.

Q.—Except the 10 per cent.? A.—Yes, except the 10 per cent.

Q.—The idea being, then, from the very beginning that the Railway Company would pay nothing? A.—The Railway Company pay nothing of that?

Q.—Yes, as the work progressed.

Mr. Taylor: In addition to the guaranteed securities? A.—I don't know anything about the Railway Company. This money was released to the Railway Company and they paid Mr. Welch.

Mr. Hall: Yes, but didn't you say that there was 10 per cent. held back in P. Welch's contract? A.—Yes.

Q.—So the Railway Company itself would require no funds? That is, the Government provided all the funds necessary for the executive work, and all that the contractor was entitled to? A.—That is it.

The Chairman: And as far as the force account was concerned, you paid that, with no hold-back?

Mr. Taylor: No. There was 10 per cent. held back on that too.

The Chairman: No, no.

Mr. Taylor: Yes, I think so.

The Chairman: Just let me understand that. As far as any force account was concerned, was there any held back? A.—Yes, as far as there was any excavation.

Q.—And what about the rest of the force account? A.—Well, for clearing, excavation, or anything, it was included in it; but they are very, very small, Mr. Farris. They don't amount to anything.

Mr. Taylor: Mr. Gamble, I am instructed that you might not have known of it—but I am instructed that the force account work was paid for by the Government in full, and no 10 per cent. was held back on it? A.—Well, that may be. I have forgotten; but it was a very small affair. It would not have been more than \$8,000 or \$9,000.

Mr. Hanes: \$8,000 or \$9,000? A.—Yes.

Q.—Of extra work? A.—Not extra work. I could easily add it up.

Mr. Taylor: We are instructed it is a very large sum? A.—Well, it may be; but I have not added it up.

Q.—Isn't it some \$40,000 or \$50,000 on some month's estimate? A.—I don't think so.

The Secretary: Well, this extra work was all done on force account? A.—Oh, no, no. What work do you say was done on force account?

Q.—The amount of this extra work was done on force account? A.—Executive?

Q.—Extra. A.—Yes, that was done. You see in the estimates an item for excavation, clearing, and these sort of things.

Mr. Hall: With respect to this depreciation, the same remarks that you have made so forcibly in connection with the P.G.E. would apply to the Canadian Northern, on an average? A.—Yes, it would apply in a certain way.

Mr. Maclean: That is opening up another vista.

Mr. Hall: Did you draw any attention to the Government in connection with that?

Mr. Maclean: Oh, well.

Mr. Hall: Just let me examine him on this.

Mr. Maclean: That is another investigation, at any rate. It is not fair for you to try to investigate so much. Leave something for another Committee.

Witness: That is something that is not anything to do with the P.G.E.

The Secretary: We have compared the Grand Trunk Pacific and these other roads, and if we cannot make these comparisons I do not consider it is an inquiry at all.

Mr. Hall: I have a very definite purpose in asking this question, and I just want to know. Now, did you draw the attention of the Government to that? A.—No, not that I know of.

Q.—Well, why did you draw the attention of the Government to the P.G.E., and not to the Canadian Northern on the Island? A.—Because the question had never come up.

Q.—I beg your pardon? A.—The question had not come up.

Q.—Well, conditions were precisely the same, weren't they, in each case? A.—No, I don't think so.

Q.—What was the difference?

Mr. Pooley: I think you will find, Mr. Hall, that that was one of the grounds he gave us on which he based his opinion.

Mr. Hall: Well, I am asking him why the same opinion did not apply to the other? Why this special estimate to the P.G.E.? Now, can you answer that? Why should there be that special treatment for the P.G.E. as compared with the Canadian Northern on the Island. A.—I never compared the two.

The Chairman: Well, that does not answer the question.

Witness: I would be very glad to tell him, but I don't exactly know what this has to do with the P.G.E.

Mr. Hall: That is for the Committee to decide.

The Chairman: That does not answer the question either.

Mr. Hall: You see, there was very special treatment accorded the Pacific Great Eastern. Now, why wasn't that same treatment carried through with the Canadian Northern on the Island? A.—Well, I don't know that my attention was ever called to that. I think some question was asked—somebody approached me—and I just forget who it was about it, and after that I walked over certain parts of the Island railway, and I found that there was very little depreciation. They had had one or two little slides and one or two little wash-outs, but they did not amount to anything.

The Chairman: Well, I mean to say what Mr. Hall has raised here has impressed me very strongly. This is the situation: that illegal payments under the strict interpretation of this Act have been made by the Government, and you had pointed their attention to it, and then on top of that there came along the proposal that 10 per cent. of the balance should be paid, and the only justification to this Committee for doing that is this question of depreciation? A.—Yes, one of them was that.

Q.—Now you tell Mr. Hall that this question of depreciation would apply on the C.N.R. on the Island, the same as it would on the P.G.E., and Mr. Hall is concerned to know whether your answer covers the same on the Pacific Great Eastern; he wants to know why it won't cover one as well as the other? A.—Well, it will; but the soil of the Pacific Great Eastern is much more friable than that of the Canadian Northern.

Mr. Pooley: It is different topography altogether? A.—Yes.

The Chairman: Don't you think there was more than the soil friable?

Mr. Taylor: We have had evidence from Mr. Callaghan and Mr. Welch that there was a lack of friability of soil there. It was solid rock, hard-pan, and indurated clay? A.—Yes, but there is frost and snow too.

Mr. Pooley: But the topography of the country is quite different.

Mr. Hall: Yes, but we sometimes have snow on the Island too.

Mr. Maclean: But it is not the same as Vancouver.

Mr. Hall: Just one other question in connection with the Canadian Northern on the Island; you know that the Dominion Government had engineers inspecting the line in connection with their payment, did you not? A.—They have one as I understand it.

Q.—They had one and they may have had more? A.—Now, just wait a moment, please. I say there is one about every 100 miles.

Q.—I am speaking now of the Canadian Northern on the Island? A.—Dominion Government have no engineers on it.

Q.—I beg your pardon? A.—The Canadian Northern on the Island, there are no Dominion Government engineers.

Q.—Are you sure about that? A.—I am quite certain.

Q.—I think you are wrong there, Mr. Gamble. A.—Well, we can get a witness on it if you want it. There are engineers here now who can tell you. Where is Mr. Lewis? Why should the Dominion Government put an engineer on the Island railway?

Q.—Because they paid a large amount of money out. A.—On the Island?

Mr. Pooley: That is where you are mistaken, Mr. Hall.

Witness: I think you are under a misapprehension, Mr. Hall.

Mr. Pooley: On the Mainland, but not on the Island.

Mr. Hall: Well, on the Mainland they have one—on the Island? A.—On the Mainland, yes; but he came over about once a year.

Q.—Is that all? A.—Yes.

Q.—You know all about him? A.—Yes, I have travelled with him.

Mr. Taylor: What road is that? A.—The Canadian Northern Pacific.

The Secretary: You have never made up any total estimate of the cost of the construction of the line of the P.G.E.? A.—I made up an estimate with Mr. Callaghan.

Q.—You just took his word for it, didn't you? A.—No, I added it up. I made an estimate of what it would cost to build the road, and then added that to what has been expended and the amount of work done.

Q.—Have you got a copy of that estimate that you made? A.—Well, I can bring it to you this afternoon.

Q.—I wish you would. I wish you would have it, because I would like to put it in as an exhibit? A.—All right, I will get it for you.

Q.—And that is the only one of the total cost of construction? A.—Well, I will tell you, the trouble is that they had not treated the location of the road as a certainty. In previous estimates made as to the completion of the road, it was more guesswork based on what they had seen in other parts of the country.

Q.—Well, therefore, it would be pretty hard to let the contract, wouldn't it, before the line was located? A.—Oh, no.

Mr. Maclean: When was it, Mr. Gamble, that they decided, instead of going up the Fraser River from Lillooet, to branch off to Clinton, and go up to Fort George in that way? A.—Well, I forget the time. It would be changed in the Act of Parliament. It would be perfect madness to go up the Fraser River from that side.

Q.—Well, that was not done until 1914 or 1915?

The Secretary: What did you estimate, Mr. Gamble, do you remember, as your first figure of the estimate of the total cost of construction? A.—Well, that was just jumped up, but it was between \$27,000,000 and \$28,000,000.

Q.—Well, when was that? A.—Eh?

Q.—When was that, Mr. Gamble? A.—Oh, that was away back in 1912 or 1913.

Q.—Did you give that to the Government, or any other members of the Government? A.—No; they got that from the P.G.E.

Q.—The P.G.E. supplied them with the information regarding the total cost of the construction of the line? A.—Yes.

Mr. Maclean: Well, that would include not only work done, but material supplied? A.—Yes.

Mr. Hall: But not equipping it for transportation? A.—Eh?

Q.—Not equipping it for transportation. That was construction. A.—That was construction.

The Chairman: What is your present estimate that that road is going to cost per mile? A.—Oh, I think about \$63,000; that is the average throughout.

Q.—Do you know what the Kettle River Valley Road cost? A.—No, I don't know, not now—not here. I think I could find it for you; because you know the Kettle Valley Road is simply a Government-paid subsidiary on so much mileage completed, you see; and I don't know the figures, but I think Mr. McCulloch, the chief engineer, handed me the figures, and I think I have got them down in my office.

Q.—You could let me know that? A.—I could let you know that, yes.

Mr. Hanes: Mr. Gamble, you have referred, I think, to 185 trips of inspection?

Mr. Pooley: Eighty-five.

Mr. Hanes: Is it eighty-five? A.—Yes, eighty-five.

Q.—Just pardon me. I was checking over that list that you made. I checked it over that you made one inspection trip on the Pacific Great Eastern since 1917? A.—Yes.

Q.—That is, of Squamish and the upper part? A.—Between Squamish and Clinton.

Q.—And in 1916 I notice you made two inspection trips between Squamish and Clinton, or the Upper Country? A.—Yes, quite right.

Mr. Taylor: Only two in 1916? A.—Over the whole line.

Q.—From Squamish north?

Mr. Hanes: I am referring to Squamish north.

Mr. Taylor: Any part north of Squamish—that is the better way to put it; he made two trips. In 1915, what do you say about that?

Mr. Hanes: In 1915 I have made a note of eight trips of inspection from Squamish into the Upper Country.

Mr. Maclean: Mr. Callaghan was inspecting it then.

Mr. Taylor: No; 1915, this gentleman was. How many trips did he make?

Mr. Hanes: I have made a note of six trips of inspection from Squamish north?

Mr. Taylor: Would that be about right?

Mr. Hanes: Is that about right, do you think? A.—Oh, I could not say. I have not got anything there to guide me.

Mr. Taylor: Well, Mr. Hanes has counted from this Exhibit 177 and for 1914—how many trips?

Mr. Hanes: I have made a note of nine trips from Squamish north.

Mr. Taylor: And from Squamish in 1913?

Mr. Hanes: Three trips. And can you go over that and make an estimate?

Witness: Well, you can rely on what is there being what is right.

Mr. Taylor: In 1912 you made no trips? A.—Well, I was examining the location on the North Shore.

Q.—You examined the Howe Sound & Northern Railway on the 6th of December, 1912, on foot, and that is the only so-called trip from Squamish north you made? A.—Well, that list gives the times I touched at the different points on the P.G.E.

Q.—That makes twenty-four trips in six years? A.—That is hardly right.

Q.—During the six years there are twenty-four trips? A.—There were eighty-five days.

Mr. Yorston: Have you ever been over the whole line, Mr. Gamble? A.—No.

Mr. Pooley: What sections haven't you been over? A.—I have not been over the sections where the work is not very heavy, but I have visited the heaviest part of the road.

Mr. Yorston: Have you been over the section between Lillooet and Fort George? A.—Yes; I rode on horseback from Woodpecker Camp.

Q.—From Fort George? A.—No; Quesnel. And I was very glad to get there; I was played out.

Mr. Taylor: There was no doubt about that.

Mr. Hall: I take it, from the very beginning of this work, that any proportion was completely disregarded? What circumstances came into play at the time of Certificate 20 that induced you to take the course that you did? A.—Well, it was simply that I saw that they were overpaying.

Q.—But they were overpaying them in the beginning? A.—But not altogether.

Q.—Well, they paid out all the money that the Railway Company was to pay? A.—Well, I simply thought it was my duty to draw their attention to this thing again.

Q.—Yes, I quite follow that; but what circumstances came into play that induced you to make that change? A.—The large amount of the overpayment.

Q.—You saw it was going from bad to worse.

Mr. Hanes: And in spite of that you recommend that the Government should release 5 per cent. of the retention? A.—Yes. What did I say—that was my opinion?

Mr. Taylor: Your opinion? A.—Yes.

The Chairman: Your requested opinion? A.—Yes, my requested opinion, and not my financial opinion.

Mr. Taylor: To say the P.G.E. and not the Canadian Northern on the Island—you let it slide? A.—You are not interested in that.

Q.—No, I don't care about that any more. That is all. I am much obliged to you? A.—I hope I have made myself quite clear.

Q.—Yes, perfectly clear as far as you have gone. A.—Yes. Don't mention it. If you want me again I will be glad to come along and give you more information.

(Witness aside.)

D'ARCY TATE, witness, recalled.

Direct examination by Mr. Taylor.

Q.—Mr. Tate, if you don't mind, I would like to ask you a few questions on this letter. Exhibit 146 is a letter written by you on the 20th day of January, 1914, to the Honourable Sir Richard McBride, and I am reading now a paragraph of that letter, with regard to a special reference to your statement that you increase the number of men on the work in the spring of 1914 from 3,000 to 7,000, or to 6,000, by reason of some conversation which took place between you and Mr. Bowser or Sir Richard? A.—What is the date of that, Mr. Taylor?

Q.—I am going to suggest that you increased the number of men on the work in the spring of 1914, not because of any such reason that you have given here, with regard to the bread-line in Vancouver, but because the men at that time were released by Foley, Welch & Stewart from their work on the Grand Trunk Pacific and were then able to come down to this work? A.—What is the date of that letter?

Q.—This is January 20th, 1914, and this was the beginning of 1914, and it was a few months after this that the men were increased on this work from 3,000 to 5,000, or 6,500 or 7,000; and it was not by reason of any conversation, I suggest to you, that you had with any of the Ministers? A.—Just a moment.

Q.—That was when you were talking of this bread-line. I will read the letter to you? A.—Before you read that letter I want to explain. I was in London in January, 1914, and I did not get back to Canada till March.

Q.—Now you must be mistaken in that? A.—No. That is written in my name.

Q.—No; this is signed by the General Counsel? A.—Yes, I know; but I was not here.

Q.—But this is only a copy. Now we will have to send for this letter, Mr. Bullock. Will you go to the Prime Minister's Department and get this letter. You will see this is signed General Counsel to Sir Richard McBride? A.—I sailed from Southampton on the "Olympic" on February 28th, 1914.

Q.—Here is a letter written by you on the 20th January, 1914? A.—Yes, it is written in my name.

Q.—Even assuming it is written in your name, and not by you personally, it is a fact it was written on January 20th, 1914, by the General Counsel of the P.G.E. road to Sir Richard McBride, the Prime Minister, and amongst other things it was an application for an additional sum of \$10,000 per mile, which was granted by the Statute of April, 1914; and then in the last paragraph of this Exhibit 146, on the first page, we find the following: "In April or May next, upon the completion of the Grand Trunk Pacific Railway, there will be released from that work a force of 10,000 men and a large plant, consisting of a number of steam-shovels, etc., that Messrs.

Foley, Welch & Stewart now employ there. There will also be available for our service river-steamers to operate between Fort George and Soda Creek. If the Government sees its way to now grant the above requested assistance the entire line can be fully covered to Fort George, and from Fort George northerly, ensuring the completion of the road to Fort George in 1915, and the balance of the line to the eastern boundary of the Province early in 1916." Now we turn to the Statute, and we find that the Statute was passed giving you that additional \$7,000 a mile on March 4th, 1914, being chapter 65 of the Statutes of 1914; and we find that the next month you increased your men from 3,000 to 5,000 or 6,000. Isn't it perfectly clear that your supposed recollection that it was due to your trying to fix up a bread-line in Vancouver turns out to be a myth? A.—No, absolutely no; because I was ill and confined to my room for the first six months of 1914, and I was not in Sir Richard McBride's office during that period.

Q.—You told us you were there, and had this conversation with him before this, in your other testimony? A.—No.

Q.—Pardon me. You told us you had this conversation with Sir Richard or Mr. Bowser, or both, in the spring of—in May, and you put it in 1914? A.—No; 1915.

Q.—And six months later you wrote that letter which Mr. Farris has read, written to Mr. Gamble—namely, of the 26th of October, 1914—six months after, not six months before; and it has been gone over and over again. And you checked up the certificates, and they are on file there, Nos. 1 to 41, and you find that increased number of men took place in April or May, 1914, and you say that it was by checking up these certificates you were able to tell the date of that conversation.

The Chairman: What is the date of that?

Mr. Taylor: April or May, 1914? A.—I have not seen that at all.

Q.—Now you say that you increased the number of men on account of the bread-line in Vancouver, and I point out to you the reason you increased them was because Foley, Welch & Stewart had got through with the Grand Trunk Pacific work, and because they got this additional increase from the Government? A.—Well, that is your evidence. But I came back and I looked at the records in my office, and that conversation could not take place in the spring of 1914, because I was not in the office in 1914 in the spring; I was an invalid. I never left the Empress Hotel until some time in 1915, and this interview took place in Sir Richard's office with Mr. Gamble and Mr. Bowser. Mr. Gamble to-day said Mr. Taylor was there at that time, and I did not remember him being there?

Q.—That was the Honourable Mr. Taylor? A.—Yes; but I remember Mr. Bowser being there, and being in Sir Richard's office, but it was in the spring of 1915.

Q.—I think you are getting slightly mixed up; we have got your evidence so clearly on this? A.—No, I am not.

Q.—And I am absolutely sure of it. Didn't you give me as the reason for placing that conversation at a certain date, which was as I remember May, 1914 (but even supposing that is an error at the present time), but it was because you found that that was the time you increased your men from 3,500 to 6,000? A.—No; I think that was in May, 1915.

Q.—But didn't you give that reason? A.—No; that was May, 1915.

Q.—I am asking you, didn't you give that as a reason you increased your men? A.—Yes, in 1915, not 1914. You are wrong in the year.

Q.—We can find out when they were increased, and I may be wrong and you may be right. We will just check it up. I have not checked it up, and we will just see who is right. A.—It was the force of men that I was going on.

Q.—It was the force of men that you turned the whole thing on before? A.—Yes. Where is the evidence? I would like to see my evidence.

Q.—Unfortunately these certificates don't begin to give the number of men till August, 1914, and there could not be 3,500 in 1913? A.—There might be. I know that in April, 1915, there were 3,500, and in July of 1915 there were 5,000 men, and we can produce that by our force account, showing the men who were actually on the work.

Mr. Hanes: How does the force account prove it? A.—The force of men on the work.

Mr. Taylor: I thought these certificates showed the number of men in each and every month, but they don't, and we cannot make any headway? A.—I was not in the office in 1914 at all.

Mr. Maclean: So you fixed that date as being 1915? A.—Yes, absolutely; I am sure it is down in the notes all right.

The Chairman: Then, Mr. Tate, if that is so, judging by these letters, the first time that this issue was really forced on the Government was in the fall of 1914; so that this question of the bread-line was all secondary. The same thing had been taken up in your correspondence in 1914? A.—I think it was undoubtedly taken up, but the formal interview when Mr. Bowser was called down was that one interview when Mr. Gamble was there to in 1915.

Q.—And according to Mr. Gamble that involved not only the general policy of the violation of the section, but the additional one of getting in on that 10 per cent.? A.—Yes, that may be right.

Mr. Taylor: Yes; is that your signature or not (referring to Exhibit 146)? A.—No, Mr. Taylor, that is not my signature. Don't I know what I am talking about? I was in London then.

Q.—I am not asking you that. A.—That is Mr. Thomas's signature.

Q.—There is no necessity for giving an answer like that. A.—Well, don't doubt my word. I was in London in the first few months in 1914.

Q.—You are a lawyer, aren't you? A.—Yes, but you should not doubt my word like that.

Q.—You are a lawyer, aren't you? A.—I hope so.

Q.—You know what I am doing when I am asking you if that is your signature? A.—It is not.

Q.—Who signed that? A.—Mr. Thomas.

Q.—That is the original letter of Exhibit No. 146—the original letter. He says it is in Mr. Thomas's handwriting.

Mr. Bullock: Exhibit 146.

Mr. Taylor: It is dated January 20th, 1914, from Tate to Sir Richard McBride.

Mr. Maclean: Signature is in Mr. Thomas's handwriting?

Mr. Taylor: Yes.

Mr. Maclean: What does the signature purport to be?

Mr. Taylor: D'Arcy Tate, General Counsel.

Q.—I will ask you further, Mr. Tate, have you any reason to believe that any of the contents of that letter, signed "D'Arcy Tate, General Counsel," Exhibit 146, is incorrect? A.—No, I think they are perfectly correct, and it was given to Mr. Thomas by General Stewart.

Q.—I am not asking you that. A.—That is the reason of my telling you that—for my believing it is true.

Q.—Would you say any of the contents of that letter is incorrect? A.—No.

Q.—You believe them to be all correct? A.—Yes.

Q.—It does not make any difference then, whether you signed it personally or not. A.—No.

Q.—There is another letter I want to ask you about, Mr. Tate? A.—Yes.

Q.—And I think you did sign this one. It is that letter of October 2nd, 1916, where you wrote to Mr. Callaghan telling him to rush his September certificate because the then present Government were going to resign on the 15th, and you wanted that certificate in without delay? A.—Yes, I wrote that.

Q.—Why did you send that letter, because the Government were going to resign? A.—Because we wanted to get all loose ends closed up with the old Government.

Q.—Why did you want to do that—because the Government never dies; it is the same as the King? A.—Well, because I saw Mr. Bowser and arranged that he should take care of our estimates up to the 1st November, leaving the new Government to take care of our estimates after that.

Q.—You gave the reason here as being that the Government were going to resign on October 15th? A.—Yes.

Q.—Did you have any doubt as to how the new Government would take hold of this matter? A.—No. They were going to take hold on the 1st of the month, and I did not want to trouble the new Government with any old matters.

Q.—That did not make any difference. If the Government did not resign until 15th October, you would have had the whole of October to deal with it—or the half of it? A.—Well, I told you that we were endeavouring to get all loose ends cleaned up with all the Departments before the new Government took hold.

Q.—I am telling you that it left the loose ends for them to clear up just the same, and you know it just as well as I do? A.—No, I don't.

Mr. Pooley: You did not know it at the time you wrote that letter? You thought it would be all cleaned up by October 1st? A.—Well, I don't quite understand the question.

Mr. Taylor: You wrote a letter telling Mr. Callaghan that the Government was going to resign on October 15th, and the work was continuing on all the time, and you simply wanted Mr. Callaghan to put in the September estimate, which would leave up to October 15th to be covered by the new Government? A.—Yes.

Q.—Your excuse that you have now given me does not satisfy me—that you were getting the loose ends cleared up; and that is the reason you put that particular language in that letter? A.—Well, I did not use the word “excuse.” I am giving you the reason for writing the letter. We wanted to get all the work that had been done up to the end of September included in our September estimate.

Q.—Mr. Gamble, the chief engineer, who is one of the staff of the Government, and the Deputy Minister of Finance; they are men who never change. The clerical staff does not change?

A.—Well, I did not want to be met with the same answer Mr. Pattullo met me with. He said, “Why didn't you get this cleared up by the old Government?” And I might have been met by Mr. Oliver in the same way and asked, “Why didn't you get this paid by the old Government?”

Q.—You are not serious in that. If the new Government came in on October 15th, don't you think that they would have been surprised to have had the September estimates cleaned up? A.—No, they wouldn't, I don't think.

Q.—That is pretty quick Government work? They would not be surprised that you had not cleared it up, but they would have been surprised if you had cleared it up, wouldn't they? A.—No; I think it would have been very desirable to have had everything cleaned up to date.

Q.—That may satisfy the Committee, but it does not satisfy me as being the real reason for incorporating that language in that letter? A.—Well, you might suggest some other reason; that is the only reason that occurs to me, and that is my own reason for it, and it was the same thing with every other department that we were doing business; I wanted it all cleared up with them, and I went over and saw Mr. Renwick, and I tried to get our outstanding matters cleaned up there too.

Q.—We will take these certificates. This is the certificate for July. You will look over that bunch, and you will see that they were issued by Mr. Callaghan usually from the 14th to the 20th of the succeeding month in every case—right back over all these years. They range from the 14th to the 20th of the succeeding month, and therefore the quickest possible time that Mr. Callaghan would have the September certificate ready would be from the 14th to the 20th of October. If the Government was going to resign on the 15th there would not be any possibility of criticism that you had not been as quick as usual, or that there had been any delay in getting the matter cleaned up, because if he had issued it on the 16th he would have been following the same rate of speed that had been followed the whole year, and that is why I cannot see any virtue in your answer that you have given me? A.—Is there any reason why the matter should be cleaned up on September 20th?

Q.—That is what I want to get at, why you turn it upon the Government going out; why do you fix that as your reason? A.—Well, we fixed that date as the date we would try to fix up the matters with the old Government, and put any work beyond that date into the new Government. I discussed that with Mr. Thomas and that was the dividing-line; and he had his records fixed up in the same way, and Mr. Oliver understood that.

Mr. Hall: Mr. Taylor, there is one question which was asked him, and I do not think any answer was given, or at least I have no recollection of it. Mr. Gamble was asked the estimated cost to complete now. I don't think we have had it from the Government standpoint.

Mr. Taylor: Yes, it is in. It was filed in that report of Mr. Gamble's where he gives the estimate, and he gives it in that letter of Exhibit 25—and Exhibit 26. The estimate there is \$27,000,000 and something that he fixes. We have had the whole thing in at least two or three times.

Mr. Hall: That is in some of the correspondence?

Mr. Taylor: Yes, that is very clearly set out. The cost from Vancouver to Clinton would be so much, and the cost from Vancouver to Fort George would be so much; it is all segregated there, and the twenty-seven million some hundred thousand is the total estimate cost to Fort George. There is a statement in covering every detail of that in one of these exhibits.

The Chairman: Now I have the evidence which was given by you before, Mr. Tate. I am referring to page 213: "The difficulty that we had with our estimates in the fall was that Mr. Bowser was Acting-Premier, and the difficulty was attributed by Mr. Gamble to that (and I think by Mr. Bowser too), to the Governor's reluctance to sign the certificate on the ground that the Company had been overpaid under that section, and I have some telegrams that fixed it in my mind." Now, before I go to the question of the date, is that right; Mr. Gamble reported that to you? A.—Well, I think so. I would not contradict Mr. Gamble if he says not, but I knew that the Government was objecting.

Q.—Well, if it did not come from Mr. Gamble, it would come from Mr. Bowser? A.—Yes; I know he did tell me that on some occasion, if it was not at that time.

Q.—Then this goes on:—

"Mr. Maclean: When do you say it took place? A.—In the spring of 1914."

I had better read it all:—

"Q.—Well, if there is anything you wish to file, do so? A.—I don't wish to put it in specially.

"Mr. Maclean: When do you say it took place? A.—In the spring of 1914."

"Mr. Taylor: You are fixing that as the spring of 1914 because you have looked at the records and find the force was increased from somewhere around 3,000 to 6,000? A.—Yes."

Now, what were those records you were fixing that time? A.—That is a mistake.

Q.—Now, here is another answer on page 216:—

"Q.—You spoke this morning of the stringent financial condition—so stringent that there was a bread-line in Vancouver? A.—Yes; that was in the spring."

Now, I might say that Mr. Bowser, speaking in the House on the same question, gives it in the spring of 1914 when that bread-line took place. I have got that filed away somewhere in my papers.

"Q.—You now fix that date as the spring of 1914, and you write this letter in October, 1914, six months afterwards, plainly asking the Government to hand out these guaranteed moneys, because you would be ready to finance your \$8,000,000? A.—Well, we were really answering that.

"Q.—Well, was this a *bona-fide* letter? A.—Oh, certainly, that is hardly a fair question."

Then, again. Now I find over on page 273 there was another matter that came up in the spring of 1915? A.—That was the autumn.

Q.—When this letter was written, Mr. Tate, to the Honourable Thomas Taylor, Minister of Railways, on the 20th May, 1915: "Referring to my attendance before the Executive Council yesterday, when I failed to obtain Order in Council releasing an interim payment on account of the money we simply placed to the credit of the Pacific Great Eastern Railway in the Union Bank at Vancouver, I beg to say that the action of the Government in withholding payment is working considerable hardship upon the contractor and the Company so far as relates to the resumption of work, not to mention the inconvenience occasioned to the public through interposing unnecessary delay in carrying the contract into the Cariboo country." You see, there is nothing there about attempting to relieve the bread-line. A.—Well, I wanted also to be clear, Mr. Chairman; I was not out of my room in the Empress Hotel in 1914. I was neither in my own office nor in Sir Richard's office, and that must be a mistake.

Q.—I cannot understand why that letter of May 20th was written. A.—May what?

Q.—May 20th, 1915; and yet there is not a suggestion in there of the bread-line in Vancouver? A.—Well, that must have been in the interview, because I was not in Mr. McBride's office in 1914. I arrived from the Old Country on the 1st day of March.

Mr. Maclean: Of what year? A.—1914; and I was confined to my room continuously until August, until I went over to Sol Duc with Dr. Jones, and I came back from Sol Duc in about three weeks and was able then to leave my room, I think, about January 1st, 1915, and I am satisfied that I was not even as far as my own office in 1914; so there is a mistake, if you will allow me to correct it, as far as the year goes. But I am still positive there was only the one interview that I was present at in Sir Richard's office, where Mr. Bowser was called downstairs.

Mr. Hall: When was the bread-line—in 1914 or 1915? A.—It must have been in 1915.

Mr. Shatford: No, in 1914.

The Chairman: No; the bread-line was in 1914, because I remember distinctly noticing Mr. Bowser taking it up in the House. So if your present position is true, Mr. Tate, and that is

the correct one, and the bread-line was in 1914, it rather eliminates the bread-line theory from the whole question, doesn't it? A.—Yes it does, as far as the interview goes, because that interview never took place in Mr. McBride's office.

Q.—It would rather lead the Committee to think that this bread-line was a myth? A.—No; because I remember Mr. Bowser took that stand particularly, saying that the unemployed could not be added to in Vancouver. He had received messages from Vancouver in that connection.

Mr. Taylor: There is another part of that evidence which you gave, before you, where it was particularly drawn to your attention by me, that the bread-line proposition as fixed by you was several months before the declaration of war, and you assented to it? A.—Well, that is wrong, Mr. Taylor, because I was not out of my room in 1914. That is a matter that could be very easily established.

Q.—It is unfortunate that you have to change that evidence in view of all that has taken place. A.—Well, I was not in the building at all during the spring of 1914.

Mr. Shatford: But might you not have dictated the letter from your room? A.—Yes. But the Chairman is speaking of an interview at which I was present in Sir Richard's office, and I remember that particularly.

The Chairman: I want to form an intelligent opinion as to the knowledge of the Government, and the time when they had their minds directed to this matter, to enable them to deliberately determine to go ahead. I gathered that their hand was first forced in that in 1914 on account of the bread-line; and we have to eliminate that now; and the next thing we had on record was in the fall of 1914 when the Government intervened? A.—Yes.

Q.—Now you say that would be the first time? A.—No; I say that the first time was an informal conversation that came up at the time of the first estimate. Mr. Gamble did not refer to that in his evidence.

Q.—When was that? A.—At the time of the first estimate. Mr. Gamble made some demur about putting our estimates through, and I said the practice on the Canadian Northern was to pay these estimates in full; and I said I expected to get the same treatment that they got, and he said I would have to speak to the Prime Minister about it, which I did, and our estimates came through.

Q.—Well, he dissented to that on the first estimates? A.—Yes.

Q.—That is, the Government engineer queried the right to pay these men in full, less 10 per cent.? A.—Yes.

Q.—And you put it up to the Prime Minister at that time? A.—Yes.

Q.—And you told him that you were entitled to the same treatment as the Canadian Northern? A.—Yes.

Q.—Which was paid the estimates in full all the way through, less 10 per cent.? A.—Yes.

Q.—And then the Prime Minister assented to that? A.—Yes.

Q.—And from that time on that practice was carried on? A.—Yes.

Q.—And the first kick that there was to that was when the Lieutenant-Governor raised it? A.—And then I continued getting out those estimates monthly, until the end of December, 1913, when I went to the Old Country, and I stayed there until March 1st, 1914; and then I came back, and any business that I did from March, 1914, to December, 1914, would be by letter from my room in the Empress.

Q.—Well, then, you say from the time that Sir Richard McBride assented to your proposition in the first place, that this thing should go through with the 10 per cent. held up, there were no complaints made to you by the Government, until His Honour the Lieutenant-Governor intervened in 1914? A.—Well, there were certainly no complaints made until I went to London, no; and after that I don't think the complaints were very strenuous, because I don't remember them at all.

Q.—Well, there are these letters, and this telegram that you wired on October 27th, 1914, to Mr. Bowser? A.—No; isn't that in 1915?

Mr. Taylor: 1914. Exhibits 146 and 147.

Q.—Now you say before you wrote Mr. Gamble you told him the money would be ready when required? A.—Well, I must be out a year. When was I in London?

Mr. Thomas: You were in London in the winter of 1913 and the spring of 1914.

Mr. Taylor: There is a telegram from you which was written in Vancouver the year you were sick. He has made a mistake in the year, and the original date will stand. Where were you the year when the war was declared? A.—I was in Sol Duc.

The Chairman: You were back from London? A.—Yes.

Mr. Taylor: Why did you write that letter, Exhibit 49, to Mr. Gamble, telling him the Lieutenant-Governor could be assured that the money could be had when it was required, and then send that telegram, Exhibit 50, to Mr. Bowser the next day demanding money? A.—The reason for that was this: General Stewart and Mr. Welch were both in the East, and Mr. Welch was sending telegrams to Mr. White instructing him that unless he got the estimates, that he was to close down the work. Well, Mr. White had no latitude in the matter, and he was telephoning me that he would have to carry out Mr. Welch's instructions, and I was using all my efforts at this end to get the estimates put through, and I must have seen Mr. Gamble or Mr. Bowser about them, and I must have gone over afterwards and seen Mr. White.

Q.—That telegram does not bear that explanation in that sense, although it does refer to Welch and Stewart being away. It says here: "Work is on verge of shutting down"? A.—Yes.

Q.—"And unless estimate is paid to-day I cannot possibly hold the situation any longer. This month's bills all overdue, and men clamouring for their wages. Of course, you understand if camps disbanded now work cannot resume this winter." A.—Yes.

Q.—"It is a matter of hours here now until result is reached one way or the other. You will also understand that if these 6,000 men are turned loose it will be without payment of their wages, and you can imagine the trouble that will ensue. In view of the fact that I am alone now, with Welch and Stewart both absent, please endeavour to relieve situation." A.—That is right.

Q.—"Please endeavour to relieve situation." There is an "S.O.S." of the first water? A.—Yes.

Q.—That was written on October 27th, 1914. The day before he wrote Exhibit 49, telling Mr. Gamble that he could tell the Lieutenant-Governor that the Lieutenant-Governor need not withhold his consent in paying Certificates Nos. 25 and 26, and that he could go ahead and pay those without regard to the proportions, because Foley, Welch & Stewart would have all the money required to build that railway when the time came? A.—Yes.

Q.—And the next day you sent the "S.O.S." to Mr. Bowser? A.—That was all in the effort to get the money released and keep the work going. But you see the whole responsibility was devolving on me, and Mr. White had no latitude in the matter.

The Chairman: You wanted to scare Mr. Bowser? A.—Well, I wanted to get the estimates released.

Mr. Taylor: Well, now, Mr. Tate, you are talking to eight gentlemen who know what they are about, and they were not born yesterday, and neither were the lawyers who are engaged in this case born yesterday; there is a letter to Mr. Gamble, Exhibit 49, and a telegram to Mr. Bowser, Exhibit 50. Now, is that explanation, in view of these facts, the best explanation you intend to make? A.—I don't like Mr. Taylor's insinuations. I am making the best explanation I can.

Q.—I am insinuating now—entirely from the shoulder? A.—Well, I am giving my evidence under oath, and to the best of my ability, and I am just as conscientious in the discharge of my duty as you are.

Q.—Then, I will tell you that that letter, Exhibit 49, of October 26th, 1914, was not a proper letter for the Lieutenant-Governor to read, without telling him what you knew to exist, as you put it in that telegram the next day. And when you withheld that from Mr. Gamble you were doing a positive injustice to the Province of British Columbia. A.—Well, you are making a speech now, Mr. Taylor. I have told you that I told Mr. Gamble what was proper to tell him, and it was probably to answer the objections made him that this letter was written. He says he did not speak to me about it, but he must have. And then in writing Mr. Bowser I was answering Mr. Bowser's objections. He was Acting Prime Minister, and I think Sir Richard was in the Old Country at that time, and I think that is why the letter went to Mr. Bowser. But that telegram is in perfect agreement with the letter to Mr. Gamble.

Mr. Maclean: Well, at the time you wrote the letter, did you expect the Company would be able to carry on the work? A.—Mr. White wanted to know what the difficulty was with regard to the payment of the money, and I came over to the building here, and inquired what the difficulty was.

Q.—Mr. White wanted to know? A.—He was Mr. Welch's manager. And I was told by him that the Government were holding up the estimates, and I wrote them the letter to satisfy the Government about that; and then with regard to the Company having the \$8,000,000 of funds to continue the work, I may say that General Stewart expected at that time to get the Dominion Government subsidy, and that would have gone a long distance towards finishing the work, apart from anything else. And then I saw Mr. Bowser about the Government's attitude, and I simply said that if the situation was not relieved he would have to take the consequences; but I could not do anything more at the time, and I wanted to keep the work going.

Mr. Pooley: Was Mr. Bowser the Acting Prime Minister at that time? A.—Yes, I think so. If Mr. Foley or Mr. Stewart were in Vancouver they could have used some latitude, but Mr. White said I had to act on Mr. Welch's instructions, and unless they got the relief at this end the work would have stopped automatically.

Mr. Hanes: When you say Mr. White gave that information to you, was he giving it as Mr. Welch's power of attorney? A.—Well, he gave it to me, and showed me a telegram that he got from Mr. Welch instructing him to shut down the work unless the estimate was paid, because he was not going into his pocket for any further money.

Q.—He was not going into his pocket for any further money? A.—No, not at that time. As a matter of fact, he told that himself here on Friday. If Mr. White had had any discretion in the matter it would have been different, but he hadn't, and unless I got relief from Mr. Bowser, or the Government, the thing would have come to a stop.

The Chairman: Well, Mr. Bowser told you that the Governor would be apprehensive. Now, that telegram would have made the Governor about nine thousand times more apprehensive, wouldn't it? A.—Well, I didn't see the Governor at all.

Mr. Taylor: This all followed the special letter of Mr. Gamble's, Exhibit 26, there being another special letter, Exhibit 25, where Mr. Gamble drew attention to the lack of proportion in those two payments.

The Chairman: Now, you didn't expect Mr. Bowser to show that telegram to the Governor? A.—I don't know. I was looking to Mr. Bowser, because I took the position then, and, in fact, I stated to Mr. Bowser that I thought the Governor's action was unconstitutional, and he was invading, as I thought, the functions of the Executive.

Mr. Shatford: Who was the Governor at that time? A.—I think it was Governor Paterson. I don't think it was the place of the Governor to take that independent initiative of his own.

The Chairman: You don't think it is for the Governor to intervene when there is a violation in the section of the Statute? A.—Oh, yes, if there has been.

Mr. Hanes: But don't you think that the Governor was doing the very correct thing when he was questioning the payment, which should have been made according to the Statutes? A.—No. I think, as a matter of fact, it would have been a very serious thing to have the work shut down.

Q.—But don't you think the Governor was raising a very proper question if he thought the money was being paid out in contravention of the Statute? A.—Well, I think he was exceeding his functions in this particular case.

Q.—I will ask you that again? A.—I cannot give you any other answer.

Q.—Do you think the Governor would be doing anything out of place if he was raising a question as to whether the money was being paid out wrongfully under the Statutes or not? A.—Well, I thought he was exceeding his powers in this particular case, as there was no money being paid out in contravention of the Statutes.

Q.—Well, I say, if he thought the money was being paid out in contravention of the Statute, wasn't it a proper thing for him to raise the question? A.—But there was no contravention at that time, and there was no improper paying of money out.

Q.—That is the only way you will answer the question? A.—Well, I cannot say what the Governor thought.

Q.—Yet you still tell us, with regard to all these dates that you refer to in 1914, you are going to change that date now? A.—Well, I am not sure about that. I am either a year out or I have made some mistake.

Mr. Thomas: I think you were recovered sufficiently in the fall of 1913 to be at the office occasionally.

Witness: Well, I can look that up in my diary.

Mr. Hanes: Well, I want to know what you want the members to understand with regard to those dates? A.—Well, don't be disagreeable about it.

Q.—I am not disagreeable, but I just want you to tell me about that. A.—I can look up my diary in the hotel, and tell you whether I was at the office in 1913.

Q.—Well, you have said that certain things only happened in 1915? A.—Well, I cannot tell you about it until I look at my diary.

Mr. Taylor: Will you produce the minute-book of the directors and shareholders of the Pacific Great Eastern Development Company, and ditto of the Pacific Great Eastern Equipment Company? A.—Well, I haven't got any control over the Equipment Company.

Q.—I know, but these other gentlemen have; and I want the details of all the materials for extras, and water-tanks, section-houses, oil-houses, and tanks, etc.

(Witness aside.)

Mr. Taylor: I want to call Mr. McIntyre for a minute.

ROBERT WENTWORTH MCINTYRE, being duly sworn as witness, called on behalf of the Department of Railways, testifies as follows:—

Questioned by Mr. Taylor.

Q.—Your full name, Mr. McIntyre? A.—Robert Wentworth.

Q.—You are the engineer that was referred to as assisting Mr. Gamble? A.—Yes.

Q.—The matter has arisen in this investigation regarding a telephone message between you and Mr. Callaghan of February, 1917? A.—Yes.

Q.—You remember that message? A.—I do.

Q.—Mr. Oliver asked you to telephone Mr. Callaghan, did he? A.—He did.

Q.—And what did he ask you to do? A.—He asked me to find out if Mr. Callaghan would be in Vancouver on Monday morning, so that he could go over and look into the P.G.E. estimates.

Q.—Is that all he said? A.—Well, I could not state the exact words, but that was the way I took it. I was to find out whether Mr. Callaghan was in.

Q.—Whether he was in? A.—Yes.

Q.—Did you have any instructions to find out anything else except whether Mr. Callaghan would be there on Monday? A.—Well, I understood my instructions were that I was to find out if he was there, and to tell him to be ready to go into the estimates with me.

Q.—You understood your instructions that way? A.—Yes.

Q.—Did you understand that you were to tell Mr. Callaghan anything as to what your business was to be? A.—Yes. I certainly understood that he was to have his estimates ready for me when I got there Monday morning.

Q.—What did you tell Mr. Callaghan over the telephone? A.—Well, as far as I remember, I told him I would be in Vancouver on Monday morning on the early boat, to go into the estimates, and for him to have them ready.

Q.—Did you tell him anything else? A.—No.

Q.—Will you swear you did not tell him anything else? A.—Yes.

Q.—Did you tell him anything about that overpayment on bridge-timber? A.—No.

Q.—Did you suggest that that was going to be one of the things to be investigated? A.—No, I don't remember saying anything about bridge-timber at all.

Q.—Now, it was brought to your attention very soon after by Mr. Oliver about your having said something. Don't say you don't remember. It is not as if I were asking you this for the first time. I want you to say whether you did or did not? A.—Whether I did or did not mention timber?

Q.—Yes, to Mr. Callaghan in that telephone message? A.—I could not say for certain, but to the best of my recollection I did not mention timber.

Q.—The timber in the bridge? A.—Yes.

Q.—The excess quantity? A.—I have no recollection of mentioning anything about timber at all.

Q.—Did you mention anything to Mr. Callaghan about the quantities in the crib-work, and the classification of the crib material—the excavations? A.—I think I did. I told him the crib excavations.

Q.—You think you told him that that was one of the things you were going to investigate when you got over there on Monday? A.—I think so.

Q.—Why did you tell him that? A.—So that he would have the material or the data ready for me to go into.

Q.—I see. Did you understand from Mr. Oliver as to whether or not you should give Mr. Callaghan warning of the subject-matter of your visit, or the purpose of your visit? Did you understand from Mr. Oliver whether you should give warning or withhold warning, or anything on that subject? A.—I understood from Mr. Oliver that I was to notify Mr. Callaghan that I was going over there to look into these things.

Q.—Did you understand from Mr. Oliver as to whether or not you should give or withhold information as to the purpose of your visit—the exact purpose, the exact matters that you were going to investigate? A.—The exact purpose?

Q.—Yes, as to whether or not you would have Mr. Callaghan prepared or unprepared to answer the charge that was going to be made in respect of this crib excavation, and with respect to excess material in the bridges? A.—Mr. Oliver made no mystery about it; and I did not know that there was anything to be withheld except that I was to go over and get him ready, I did not know what Mr. Oliver was going to do when he got over there.

Q.—I am not saying that there was. I am not suggesting anything. I simply want to know the facts. A.—There was no mystery as far as I was concerned. It was a straight plain message that I gave. I was not thinking of any warning, or anything of that kind.

Mr. Maclean: As a matter of fact, Mr. Oliver did not decide to go over until sometime afterwards, did he? A.—No, he did not decide to go over until he knew from me Mr. Callaghan would be in his office; because there was no use of his going over on a wild-goose chase.

Mr. Hall: Mr. McIntyre, what will it cost to complete that Pacific Great Eastern Railway, as it stands now, to Prince George, and put it in shape ready to operate? A.—I could not say, Mr. Hall, because I have not been over the whole road or seen what shape it is in; and without going over it all I could not say.

Q.—But I understand that you have been in charge of this work more or less lately? A.—Well, I have been in charge to this extent: that I had to certify to the work done in November and December when everything shut down, and that was on a very light piece of work; and I made a special trip to go over that work north of Clinton; and that is as far as I have been in charge so far.

Q.—You have never at any time made an estimate of the cost to complete the road? A.—No. I have never had anything to do with it in that position—not as chief engineer; and not having been over the road I would not like to guess at it.

Mr. Maclean: You are an officer of the Government appointed by the present Government? A.—I am an officer appointed by the present Government to supervise these loan estimates, and to put the certificate on these loan estimates.

Mr. Hall: How long have you been in the employ of the Government? A.—Two years last month.

Mr. Taylor: And in what capacity were you engaged prior to your present employment? A.—Prior to my present employment I was employed as assistant to Mr. Gamble, with the special work of checking the cross-sections and estimates of the back-work of the P.G.E. I was practically engaged on these big cross-sections you have there, and was taking out areas and quantities, and so on, the first year practically without any intermission.

Q.—And how many visits did you make on the P.G.E. by way of inspection? A.—With Mr. Gamble three in January, and one in January of my own.

Q.—Only one of your own? A.—Well, I had only one small piece of work to inspect, and it is shut down.

Q.—Then we have twenty-four of Mr. Gamble's and one of yours. That makes twenty-five Government inspections from Squamish?

The Chairman: You and Mr. Oliver discovered something in the way of yardage—some 33,000 yards? A.—I don't know the exact number.

Q.—Well, it was something about 30,000 wasn't it, that had to be changed, and then Mr. Callaghan tells us later that he discovered considerably more. Do you know anything about that being reported to your Department? A.—No.

Q.—Or the Government in any way? A.—No.

Mr. Maclean: He says he told Mr. Gamble that.

The Chairman: Did you hear that from Mr. Gamble? A.—That more had been discovered, no. All that I ever heard Mr. Gamble say—that was some time ago—was that there was a matter of foundation payments to be adjusted. I think that was said on one of our trips.

Q.—No, no; but I am talking about after you and Mr. Oliver were over there in Vancouver? A.—No.

Q.—You went into this thing, and found that some 30,000-odd yards were wrong, and then after you came away Mr. Callaghan discovered some considerable more. Now, did you ever hear of any report of that being made by Mr. Callaghan to any one? A.—No.

Q.—Mr. Callaghan says he reported it to Mr. Gamble. Did you hear that from Mr. Gamble, either directly or indirectly? A.—Not that I am aware of. Of course, I have been discussing the P.G.E. and have been going into the estimates with Mr. Gamble right along, but I don't remember anything of that kind being said about it.

Mr. Hanes: Mr. McIntyre, when you called up to make this arrangement for this meeting with Mr. Callaghan, were you simply instructed to find out if Mr. Callaghan would be in town that day? A.—Well, I really could not tell you. I had a conversation with Mr. Oliver over the whole thing in his office, and I left him with the thorough impression that Mr. Oliver wanted me to find out if Mr. Callaghan would be able to meet me there and would have things ready in that office when I came over.

Q.—And your understanding was that Mr. Callaghan would be notified ahead of time as to what you were going over for? A.—Certainly. I did not know I was going over there with any drama staged, or anything of that kind. I had been over to the office before to look into cross-sections.

Q.—Now, you said that you passed one estimate in January? A.—Yes.

Q.—And you took a trip up over the line? A.—Yes.

Q.—And what means would you have to certify as to the actual quantities for anything that was paid? A.—Well, by way of inspection, I went very carefully over the part that had been graded and by sizing it up, and then, of course, by the estimates.

Q.—Now, you spoke of a part that was graded. Where do you refer to? A.—At Grouse Lake Summit.

Q.—What time of the year was that? A.—In January.

Q.—How much snow was on the ground then? A.—About 2 or 3 inches. I went in a Ford car, so there could not be very much snow.

Q.—Well, what way did you have of arriving at how much quantity of work had been done; that is, the number of yards; or did you just assume that much was done when you signed the estimate? A.—No, I did not assume it. I brought my experience to bear on it. I have had a great deal of experience in contracting, and there was very little work done there, as a matter of fact. They could not get the men, and I compared the estimates with the grading that I saw.

Mr. Maclean: And you found them correct? A.—Well, I could not say they were correct to a yard or so.

Q.—But they were approximately so? A.—Yes.

Mr. Hanes: As a matter of fact, the estimates that you signed, you did not know whether those exact quantities had been done or not? A.—No, not exactly; certainly not.

Mr. Pooley: But they were approximately correct as far as you could see? A.—Yes; and one estimate was for rails and freight on rails; and, in fact, the grading was the smallest part of the whole estimate.

Mr. Maclean: I understand, Mr. McIntyre, these things were all checked up afterwards, at the time the certificate was given? A.—They should be, certainly.

(Witness aside.)

Mr. D'ARCY TATE recalled.

Questioned by Mr. Taylor:

Q.—I just want to call Mr. Tate on a letter I have just discovered. Mr. Tate, that is your signature? A.—Yes.

Q.—This is from the Honourable Sir Richard McBride's files, which we have just got. We should have seen it before. This is a letter written on May 9th, 1913, by Mr. D'Arcy Tate to Sir Richard McBride. It will be Exhibit 178; and attached to it is a letter from Sir Richard McBride to Mr. George Fraser, a druggist of this city—to G. A. Fraser, which will be Exhibit 179.

"This is from Mr. Tate, Vice-President of the Pacific Great Eastern, Exhibit 178. He writes Sir Richard McBride, Prime Minister, Victoria, B.C.:—

"DEAR SIR RICHARD,—Referring to our previous exchange of letters relative to Mr. John Farrell, I am to-day in receipt of letter from Mr. Welch, reading as follows: 'Agreeably to your various requests on the subject, we have arranged to give Mr. John Farrell a one-third interest in a contract recently awarded by us to Patala Bros.'—Yours truly, D'ARCY TATE, Vice-President."

And then Sir Richard writes on May 10th, the next day, 1913 (Exhibit 179), to G. A. Fraser, Esq., Empress Drug Store, Seattle, Washington:—

"MY DEAR GEORGE,—I am just in receipt of a message from the Pacific Great Eastern to the effect that your brother-in-law, Mr. Farrell, has a third interest in the contract awarded to Patala Bros. I trust this will be satisfactory."

That letter is addressed to Seattle, Washington, and I notice that this is the same gentleman who is in this city, Mr. G. A. Fraser? A.—Yes.

Q.—He also has a drug-store in this city on Government Street—Mr. G. A. Fraser? A.—Yes.

Q.—Now, that letter is signed by the Premier. How do you explain that way of carrying on business with the Government Ministers? Now, there is your letter stating that Mr. Farrell was given a one-third interest in the contract, and here is the Premier's letter that Mr. George Fraser, who is a well-known gentleman connected with the Conservative party of this city, wants his brother-in-law to get a third interest in this contract, and you and Sir Richard McBride arranged that he should get a third interest. Did you know anything about it? A.—No, I don't know anything about it, only what the letter says.

Q.—That is all by letter? A.—I don't even remember it. I haven't the slightest recollection of it.

Q.—There is your letter signed by yourself personally, Exhibit 178, written on May 9th, 1913, quite early in the game, saying some gentleman who happens to be a brother-in-law of this druggist in Victoria has to have a third interest in these contracts, and there has been a considerable correspondence about it, and it was satisfactorily arranged through the Premier. Did Mr. Farrell do any work for this one-third interest? A.—I don't even know that.

Q.—He is apparently a gentleman who has a bank account elsewhere. He is on the American side of the line—Mr. Farrell was—don't you know him? A.—No, I don't know him, and have never seen him to my knowledge.

Q.—You cannot explain that? A.—No.

Q.—Are there any other letters of this nature? A.—I don't know.

Mr. Hanes: Isn't it a fact that if these books of P. Welch were produced it would show how much these men drew out of this contract through this arrangement? A.—Well, I really could not say, Mr. Hanes.

The Chairman: What is that answer? A.—I could not say. Mr. Hanes would know as much about that as I would.

Mr. Hall: How would Mr. Hanes know as much as you? A.—By Mr. Welch's books.

Mr. Hanes: You were referring this morning to Mr. Welch's books in putting up an argument for him, and I thought you might answer this if those books were produced here? A.—No; those books are kept in Vancouver, and I don't intend to say anything more about it.

Mr. Taylor: Do you know, or do you not know, that that alleged one-third interest referred to there was for political purposes? That is what I am getting at; and was it simply another way around of getting political money? A.—Well, I could not say that, Mr. Taylor.

Q.—You could not say that. Now, your letter is the thing that caused Sir Richard to write the letter, and there is a series of correspondence, and I think we ought to have the whole of the correspondence here? A.—You can have all my file.

Q.—You see, you say here, "Referring to our previous exchange of letters"—that is between Sir Richard and yourself? A.—Yes.

Q.—"Relative to Mr. John Farrell"? A.—Well, all I can say is you have all my letters.

Q.—Well, I think that this gentleman ought to produce all these letters? A.—Well, certainly we will produce everything we have.

Q.—And we should meet again for the purpose of having these letters here? A.—Very well.

The Chairman: Where are they now—in Vancouver? A.—No, no; they would be in my office.

Mr. Taylor: And I want all the letters that Mr. George Fraser, the druggist, wrote too.

The Chairman: We will get those at 8.30.

Session adjourned at 1.25 p.m. until 8.30 p.m., April 2nd, 1917.

NINETEENTH SESSION.

MONDAY, April 2nd, 1917.

The Committee of Inquiry herein met at 8.30 p.m. pursuant to adjournment.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, W. R. Ross, R. H. Pooley, and W. P. Shattford; S. S. Taylor, Esq., K.C.; appearing as Counsel for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing as Counsel for the Pacific Great Eastern Railway.

It was moved by Mr. Yorston, seconded by Mr. Shattford, "That pages 642 to 846 of the stenographic report of the proceedings be submitted to the Legislature as Report No. 3, and recommend that same be printed." Carried.

Mr. Taylor: I would ask now that these plans and bills of materials for the roundhouses, turntables, oil-tanks, etc., be produced and filed. I want the progress charts also. You will know where they are. (Documents produced.) These are the plans and specifications. Exhibit 180, for the buildings, and bills of the materials of the roundhouses, turntables, oil-tanks, etc.

(Documents marked "Exhibit 180.")

Mr. Taylor: These are the progress charts.

Mr. Maclean: What do these bills of material show?

Mr. Taylor: Well, I have not looked at them at all, but I presume they will show the bills in that connection. I wanted first the plans and specifications and estimates. I was told by Mr. Callaghan that they had no specifications, but they had the plan and bills of material, which covered both specifications and estimates, and these are the things I understand which are now produced.

The Secretary: Who produced these, Mr. Taylor?

Mr. Taylor: Those were produced by Mr. Callaghan. Mr. Callaghan now produces the progress charts, Exhibit 181.

Mr. Maclean: The what?

Mr. Taylor: The progress charts.

Mr. Maclean: Now, what is that?

Mr. Taylor: Now, you have got me.

Mr. Maclean: Oh, I have got you, have I?

Mr. Taylor: They are simply the charts showing the progress from time to time.

Mr. Maclean: Of the work?

Mr. Taylor: Yes, of everything. They are supposed to show everything. I know we had them with regard to that tunnel case. They plot everything on this chart as they go along; isn't that right?

Mr. Tate: Yes.

Mr. Taylor: It is a condensed statement of the condition of the work at a certain time.

Mr. Maclean: It is a representation of the work done?

Mr. Taylor: Yes, in plan; it is a representation of the work accomplished.

Mr. Maclean: All right, so long as we know what it is.

Mr. Taylor: I have Mr. Kennedy's first report here.

Mr. Pooley: What date is that?

Mr. Taylor: September 13th, 1916. We have got that already filed, I see.

Mr. Maclean: We have Mr. Kennedy's second report and Mr. Kennedy's first report. One is Exhibit 143 and one is Exhibit 144; and apparently Exhibit 144 is the one you are dealing with.

Mr. Taylor: Well, apparently. It is dated September 13th, 1916.

Mr. D'ARCY TATE, witness.

Mr. Taylor: Mr. Tate, at adjournment you were to produce at this session the letters referred to in Exhibits 178 and 179? A.—Yes.

Q.—You have found them. Could I have the file, or does that contain other matters? A.—I can give you the letters. I guess these are all.

Q.—Have you produced everything now that you have relative to this matter, or everything that you have referred to in Exhibits 178 and 179? A.—Yes.

Q.—Then I will read Mr. Tate's file.

Mr. Maclean: Are you putting them in as one exhibit?

Mr. Taylor: No; I will put them in separately. You will remember the two letters I produced this morning were May 9th and May 10th—one from Mr. Tate.

Mr. Maclean: That is right.

Mr. Taylor: Which said: "Referring to our previous exchange of letters relative to Mr. John Farrell, I am to-day in receipt of letter from Mr. Welch, reading as follows: 'Agreeably to your various requests on the subject, we have arranged to give Mr. John Farrell a one-third interest in a contract recently awarded by us to Patala Bros.'"

That letter is marked Exhibit 178. And then the letter from Sir Richard McBride to Mr. G. A. Fraser, of the Empress Drug Store, Seattle, Washington, which I read this morning, stating:—

"MY DEAR GEORGE,—I am just in receipt of message from the Pacific Great Eastern to the effect that your brother-in-law, Mr. Farrell, has a third interest in the contract awarded to Patala Bros. I trust this will be satisfactory."

Now, those are the letters of May 8th, 9th, and 10th, and Mr. Tate produces now (Exhibit 182) a letter of February 15th, 1913, from himself to P. Welch, reading as follows:—

"Re John Farrell. Herewith enclose personal letter from the Premier, and in furtherance of his wishes I would commend Mr. Farrell to your favour." Whose signature is that? A.—Mr. McRae.

Q.—The personal letter to the Premier I will file next.

Mr. Maclean: To the Premier?

Mr. Taylor: I mean from the Premier. It is dated February 15th, 1913, and will be Exhibit 183. It is from Sir Richard McBride to D'Arcy Tate, General Counsel, Pacific Great Eastern Railway, Victoria, B.C.:—

"DEAR MR. TATE,—Mr. John Farrell, a brother-in-law of my good friend George Fraser, of this city, has, I believe, applied for a sub-contract on your line, and has been fortunate enough to secure Mr. P. Welch's promise that one will be given him. In the rush of business the matter may be overlooked, and I am writing to ask as a personal favour that the matter be kept well in mind and given proper attention at the earliest possible moment.

"I believe that Mr. Farrell is well known to your people, and, in fact, has for many years been one of your employees. May I say that I am making this a personal matter, as I feel that the recognition sought for this young man will be highly appreciated by my old friend and former colleague.—RICHARD MCBRIDE."

The next will be Exhibit 184, a letter from D'Arcy Tate, Vice-President, to Sir Richard McBride:—

"DEAR SIR RICHARD,—I am in receipt of your most esteemed favour of the 15th instant, and am writing Mr. Welch by this mail, commending Mr. Farrell to his special attention, and transmitting your letter of endorsement."

Then, a letter of 15th March, 1913, from Sir Richard McBride to D'Arcy Tate, Vice-President, Pacific Great Eastern Railway, Victoria, which will be Exhibit 185:—

"DEAR MR. TATE,—Some time ago I wrote you with reference to Mr. Farrell, a brother-in-law of Mr. George Fraser. Will you be good enough to write to your head office and see if something cannot be done for this young man? He is well known to Mr. Welch, and from experience with your firm of many years I think can be relied upon to carry out successfully any work given him. I believe he is anxious to secure a contract on your system.—Yours sincerely, RICHARD MCBRIDE."

And then Exhibit 186, a letter dated March 17th, 1913, from D'Arcy Tate to Sir Richard McBride:—

"DEAR SIR RICHARD,—Your further letter with reference to Mr. Farrell received, and I have written Mr. Welch again, enclosing him both of your letters in case the previous one should have miscarried, as no acknowledgment was received from Mr. Welch. Hoping to write you again about this in a few days.—Yours truly, Vice-President."

Exhibit 187 is the next, from the Vice-President to P. Welch, Railway Contractor, Vancouver, dated March 17th, 1913:—

"DEAR SIR,—On the 15th ultimo I enclosed you copy of letter from Sir Richard McBride with reference to our giving employment to one John Farrell, and am to-day in receipt of further letter from the Premier on the subject. Both of these letters I now enclose in case the previous letter miscarried, as I received no acknowledgment thereto. Kindly return enclosures.—Yours truly, Vice-President."

The next one is dated March 18th, 1913, and it will be Exhibit 188. It is from P. Welch, per E. White, to Mr. D'Arcy Tate, Vice-President, Victoria:—

"DEAR SIR,—We have your letter of the 17th instant with attached communications from Sir Richard McBride, dated February 15th and March 15th, all with reference to favouring one J. F. Farrell with a sub-contract on the P.G.E. Railway.

"Your first communication (February 15th) was opened by Mr. Welch during the writer's absence, and retained by him for reference. He is now in the East, and we do not anticipate his return for several weeks, at which time we shall place the matter before him for his attention.—Very truly yours, P. WELCH, per F. WHITE.

"NOTE.—We are returning herewith letters from Sir Richard McBride as above noted."

The next is a letter of May 5th, 1913 (Exhibit 189), from P. Welch, per White, to Mr. D'Arcy Tate, K.C., Vice-President, Pacific Great Eastern Railway, Victoria, B.C.:—

"DEAR SIR,—Agreeable to your various requests on the subject, we have arranged to give Mr. John Farrell a one-third interest in a contract recently awarded by us to Patala Bros.—Yours very truly, P. WELCH, per E. F. WHITE."

Then on May 9th—the same letter that was already filed; I am not going to put it in—it is the same letter that was already filed as Exhibit 178. I will return that one to you because it is already in. That is the whole file of correspondence? A.—Yes.

Q.—Do you know anything more about the matter than what is contained in that correspondence, Mr. Tate? A.—No.

Q.—And you don't know how this young man got this interest with Patala Bros.? A.—No, I have not the slightest idea of it.

Q.—And you don't know where Patala Bros. are doing the work? A.—No.

Q.—You have never heard of them before or since? A.—No. As a matter of fact, I had forgotten all about them till you resurrected the letter this morning.

Q.—Did you know they were working on the line, though? A.—No, I did not even know that.

Q.—You did not even know that? A.—No.

Q.—That is all as far as I am concerned.

(Witness aside.)

Mr. Taylor: Mr. Fraser is here, and I would ask to have Mr. Fraser sworn.

G. A. FRASER, a witness called on behalf of the Department, being duly sworn, testifies as follows:—

Mr. Taylor: Mr. G. A. Fraser, isn't it? A.—Yes.

Q.—You are the gentleman referred to in the letters you have heard read here? A.—Yes.

Q.—Do you know Patala Bros.? A.—I don't. I never met them.

Q.—And you don't know who they were? A.—No; except I know they were contractors on the road. That is all I know.

Q.—Do you know upon what terms your brother-in-law, Mr. Farrell, got that one-third interest in the contract? A.—Well, simply on the same terms, I suppose, that all the sub-contractors got their sub-contracts.

Q.—Where was he when he got this one-third interest? A.—Oh, he was up somewhere working on the road. He has been with Foley, Welch & Stewart for the last ten or twelve years. He started to work with them in Grand Forks on the V., V. & E., and he worked along there with them; and I thought, after having worked with them for so many years, that he was entitled to something, so I asked Sir Richard to find him a sub-contract.

Q.—This was the season before that he had been working for them? A.—Oh, he had been working for Foley, Welch & Stewart for twelve years.

Q.—But not as a sub-contractor? A.—No; he was paymaster and foreman and nearly every position—he was in pretty nearly every position that there was on the road with them.

Q.—Why was it necessary to go to Sir Richard McBride about that matter? I would think that he would have his own introduction to them, and could have gone to Mr. Welch himself?
A.—Well, he came to me first, thinking that perhaps I could do something for him with Sir Richard.

Q.—And you got this letter from Sir Richard, to the effect that he had got a one-third interest? A.—Yes. As a matter of fact, Sir Richard and his father were particular friends. He brought him out here at one time to be the judge of horses in Westminster, at one of the Dominion exhibitions; and that is how he came to take an interest in the boy.

Q.—Of course, that is very commendable. When was this? A.—This was years ago—long before that, even.

Q.—Had the boy any money to invest in that contract? A.—Not a dollar; not a dollar.

Q.—Did the boy make anything out of it? A.—No, not a dollar; not a dollar.

Q.—He was handed a lemon? A.—Yes. As I understand, they have not even finished the contract, because they could not go through with it.

Q.—What part of the contract was it that he had? A.—It was beyond Pemberton Meadows.

Q.—That work has all been performed and the line is running? A.—Well, there was only one mile and a half or two miles in the whole thing.

Q.—Do you know the reason why he did not make any money out of it? A.—I could not tell you that. No, I don't. I never was on the work; I never was near it; and he was only over here once until he went East again, and went back home.

Q.—And who were his partners? A.—I don't think I could tell you that. I never met them in my life.

Q.—You don't know these gentlemen at all? A.—No.

Q.—You don't know when he got his cheques? A.—No.

Q.—Or anything about it? A.—No.

Q.—Except that he did not make any money? A.—No.

Q.—And he went East? A.—Yes; he went home.

Mr. Pooley: He told you that, did he? A.—Yes; and I am positive of it.

Mr. Taylor: He told you that himself, did he? A.—Yes.

Q.—If he had no money to put in that contract, and if he had no outfit, he would not be out? A.—Well, these people, I understand, did have a small outfit. The people who went in with him, I understand they had some outfit, but I don't know what it amounted to at all. I could not tell you that.

Q.—How was it they consented to take him into partnership with them? A.—Through Mr. Pat Welch, I understand. I asked Sir Richard to help him out, and take him to Mr. Welch to get him to do it for him, and I thought, he being with them for so many years, that he could get a contract through his influence, but he did not get very much.

Q.—That is not what is troubling me so much as this: How he was able to get in at all without any money and without any plant? A.—Well, I don't know about that.

Q.—Just his own hands—and still he got a third interest. He was given apparently a third interest? A.—Well, I understand that the Jordan sub-contractors don't get very much any time that they get these contracts. I have been watching these contracts right along, and they give the contracts, but they don't seem to get very much money out of it.

Q.—Of course, unless they are able to go ahead and do the work themselves, they cannot make much out of it. But your position is, so far as your knowledge is concerned, you don't know that he ever got any money out of it? A.—I don't know.

Q.—Or that any money was ever paid him in respect of his third interest? A.—No. All I know is that he didn't go home with any money; that is all.

Q.—Was there any money paid him in any way in respect to his third interest? A.—I don't know.

Q.—Was there any money paid in any way in respect of his third interest? A.—Who to?

Q.—To any person. A.—Not that I know of.

Q.—You never heard of any? A.—No.

Q.—And you say the reason he did not get any money out of it was because there was no money made on the job? A.—That is it.

Q.—That is your reason? A.—Yes.

Q.—That the contract failed to be finished, and was thrown^e up without any profit being made; is that it? A.—They did not make enough money out of it to make any profit on it.

Q.—That is, it failed to be finished, and they made a failure of the work? A.—Yes.

Q.—That is the reason, is it? A.—Yes.

Q.—His answer is yes. Did you attempt to get any contract for any other person, or just for this young man? A.—No, never; I never asked for one at any other time.

Q.—That is all, thank you.

The Chairman: Well, now, Mr. Fraser, what I don't understand is this: Here was the Railway Company letting contracts to P. Welch, and P. Welch was letting out his contracts by tender to sub-contractors. Now, how did you expect that Sir Richard could give him a contract? A.—Well, I figured it this way: The boy had been working for Foley, Welch & Stewart for so many years, and that he could get him a contract—

Q.—Well, why didn't you let him get it on his merits? Why did he have to go to the Premier about it? A.—Well, I don't know. Where did he get his stand from? I want to know why he should go to the Premier? A.—Well, why not?

Q.—What did the Premier have to do with the Pacific Great Eastern and the giving out of some of these sub-contracts? A.—Well, I don't know, really.

Q.—Well, I want to know what your idea was about it? A.—Well, I don't know what my idea is, because I don't know what you are referring to.

Q.—I want to know what Sir Richard McBride, the Premier of this Province, had to do with P. Welch, the contractor, who was getting his money from the Railway Company, and giving out his sub-contracts to friends of his? A.—I don't know. I don't know what you mean. You are driving at something far beyond what I can see.

Mr. Taylor: It must be perfectly clear, Mr. Fraser, if the Government of this Province made a contract with the Pacific Great Eastern to build this railroad and the Pacific Great Eastern in turn gave a contract to Mr. P. Welch to do certain work, that the Premier of the Province would be the last man to go to get a job for this friend of yours on that railroad-construction. What is the connection? A.—There is no connection that I know of at all. Just friendship between he and myself; that is all I know. Sir Richard McBride, as long as I have known him, and as much as I have done for him in politics, I don't remember ever asking anything from him but what was fair.

Q.—I am not suggesting that? A.—Well, you are trying to make that out of it.

Q.—No; you are trying to jump at that? A.—Well, I have been up here three times now before these people, and that is what it looks like.

Q.—You have never been up before me before. It is a great pleasure to have you here. There is nothing for you to get excited about at all, Mr. Fraser. We just simply want to know what has been done, and what you went to Sir Richard McBride about Pat Welch's contract-work for? A.—Well, haven't I a right to ask the gentleman to help a brother-in-law of mine out if I want to? There has been nothing unfair in this matter, and I don't want you to insinuate it.

Mr. Taylor: I am not insinuating anything.

Mr. Pooley: Perhaps Mr. Fraser has heard the remark that you made at the end of the session.

Mr. Taylor: I am not asking for any criticism of my remarks unless this member of the Committee holds a brief for this witness.

Mr. Pooley: No; but he holds a brief for Sir Richard in his absence.

Mr. Taylor: I just simply saw these letters, that were open to comment.

Mr. Pooley: And you commented on it?

Mr. Taylor: Just refer me to my comment, if you have anything to say about it.

Mr. Pooley: I think the notes will show that you commented to this effect: You asked Mr. Tate if that was not one way of getting party funds out of this railway.

Mr. Taylor: Certainly I asked Mr. Tate that question. You don't call that an unfair comment. I would be perfectly willing to ask Mr. Fraser the same question, but he has not given any evidence to show that it was that. I asked him how he happened to go to the Premier of this Province to have him meddle with P. Welch's contracts on this road. Now, surely you know why you went to the Premier of the Province. Why did you go to him?

Mr. Maclean: Well, he has already said why, Mr. Taylor.

Mr. Taylor: I beg your pardon?

Mr. Maclean: He went because he thought Sir Richard McBride would interest himself on his behalf.

Mr. Taylor: Don't you think that would come a whole lot better from Mr. Fraser than you, Mr. Maclean? You are not representing Mr. Fraser?

Mr. Maclean: No; but I thought you had overlooked the fact that he had answered you.

Mr. Taylor: Will you be kind enough to answer that question which has been asked you by the Chairman and by me, or do you decline? A.—I don't know what you want me to say. I told you two or three times I went to Sir Richard McBride—

Q.—I am not in the habit of telling a witness what to say? A.—I don't want you to tell me what to say; but here is the idea. I went to him because my brother had been with these people for eight or ten years, and I thought he was entitled to be promoted.

Q.—Why didn't you go to Pat Welch? A.—Why didn't I?

Q.—Yes. A.—Because I didn't know him well enough to go to him and ask him. I had not any influence with him.

Q.—Why did you think Sir Richard McBride had any influence with him? That is what I am coming at. A.—Because he was a friend of mine. That is one reason why.

Q.—Had you any other reason? A.—No; just simply trying to get my brother-in-law this contract.

Q.—And what did you do when you found your brother-in-law didn't make any money out of it? A.—I gave him enough money to go home.

Q.—You thought it was time for him to go home? A.—Yes.

Mr. Maclean: With a recommendation to stay there, I suppose.

Mr. Taylor: Do you think that he was badly treated? A.—I do, yes.

Q.—Did you go to Sir Richard McBride in reference to that matter? A.—No, I did not, because he had left here then.

Q.—Did you go to P. Welch in regard to it? A.—No.

Q.—But out of your own pocket you gave him enough money to go home on? A.—Yes.

Mr. Hall: Is Mr. Farrell a partner of yours? A.—No, sir.

Q.—Was he at any time? A.—Never.

Mr. Taylor: Where was he living just prior to his getting this interest in this contract? A.—I told you he had been with Foley, Welch & Stewart for eight or ten years, working on all parts of different roads.

Q.—Now, how is it that Sir Richard McBride addresses you at Seattle? A.—I don't know; there is something wrong about that. He never addressed me at Seattle in his life. My place is here.

Q.—The Empress Drug Store, Seattle, Washington? A.—Well, there is no Empress Drug Store there; it is here; it is a mistake. It might be a mistake of the stenographer.

Mr. Maclean: It is a copy.

Mr. Taylor: That is addressed to Mr. Fraser.

The Chairman: Do any other members of the Committee wish to ask him any questions? All right, Mr. Fraser, thank you.

(Witness aside.)

Mr. Taylor: The only thing that is left, Mr. Chairman, unless some person wishes to give evidence, as you announced the other day—the only question that is left is the audit.

Mr. Hall: Weren't those estimates to be brought in to-night?

Mr. Taylor: I understand that everything is filed in the shape of estimates.

Mr. Hall: Are those from the Railway Department?

Mr. Taylor: Those are filed too. The Equipment Company, I understand, have no books; is that right? Will any person answer for that? It is simply kept in P. Welch's books, so you have it over there.

The Clerk: I handed all the Equipment Company's documents in last week. There are no books kept.

Mr. Taylor: Where is this \$600 or \$700 shown spent for equipment? A.—There is a balance-sheet enclosed in that—a statement.

Mr. Tate: In P. Welch's books.

Mr. Taylor: And the Pacific Great Eastern Development Company?

Mr. Tate: He has gone over that also.

Mr. Taylor: P. Welch has the accounts for that?

Mr. Tate: Yes; it will be in Vancouver.

Mr. Taylor: It is all in the Vancouver office?

Mr. Tate: Yes.

Mr. Taylor: And that only leaves the matter of settling where this audit is going to take place?

Mr. Hanes: Has the Development Company kept any books of receipts and expenditures?

Mr. Tate: I don't know.

Mr. Hanes: Mr. Thomas is the secretary?

Mr. Tate: Yes.

Mr. Hanes: Has the Development Company kept any books of receipts and expenditures?

Mr. Thomas: Not separate books, but they have kept records. That has been kept in Vancouver.

Mr. Hanes: Well, the Committee has asked for the production of the account-books of the Development Company showing the receipts and expenditures.

Mr. Thomas: Well, I have that; it was sent to me from Vancouver.

The Chairman: Now, are there any witnesses who wish to give evidence? Does any member of the Committee know of any one who wishes to testify before this Committee, or are there any further witnesses that any member of the Committee wishes to recall?

Mr. Hanes: Are we going to call Mr. Ed. White, one of the directors of the Company?

Mr. Maclean: You will want him when you go into the audit of the Company.

Mr. Hanes: Well, as I understand, he has been drawing pretty heavily in wages on sub-contracts, and I think it might be as well to see what he has to say and what evidence he might give.

The Chairman: Where is he—in Vancouver or here?

Mr. Hanes: He would be in Vancouver.

The Chairman: He is not here now? Is there any one else, because we don't want to make too many bites at this?

Mr. Hanes: I would like to call Mr. Fred Wilson, if he is in the country.

Mr. Tate: He is down in California; his health is not very good, and he has been down there for the last few weeks.

Mr. Taylor: What is this book?

Mr. Thomas: This is the Development Company's book.

Mr. Taylor: I will file the Development Company's book, with balance-sheet enclosed, as Exhibit 190.

The Chairman: Do you want to examine Mr. Thomas?

Mr. Hanes: Yes, I want to ask him a few questions.

Mr. R. D. THOMAS, witness, called and duly sworn, testifies as follows:—

Mr. Maclean: What is that book, Mr. Thomas? A.—That is the ledger of the Pacific Great Eastern Development Company's account.

Q.—Whose ledger? A.—The Pacific Great Eastern Development Company's.

Mr. Hanes: Let me see it. Does that book contain a record of the receipts and expenditures of the Development Company? A.—Yes, so I am informed.

Q.—And from that book any one will be able to determine how much money the Company has invested? A.—Yes; from my examination of the book I would say so.

Q.—And do you mind showing me just exactly where it would show there? Does it show the assets and liabilities? A.—Yes. I prepared myself the balance-sheet just the other day, to February 28th.

Mr. Taylor: From that book? A.—Yes.

Mr. Hanes: What are the total receipts by the Company? A.—Well, I cannot tell you that from memory.

Q.—Well, just roughly? A.—From sales of land, \$3,000; wharfage dues, \$56,482.07.

Q.—Now, just a moment. Where was that money collected from? A.—I presume, from Squamish.

Q.—From the Pacific Great Eastern Railway? A.—I don't know. I have not any knowledge of that. I have not the vouchers. I only prepared this from the accounts as shown in the book.

Q.—What wharf is that—the one that the Railway Company operates over? A.—Yes.

Q.—Would that be revenue coming from the Pacific Great Eastern Railway? A.—The accounts just show it as wharfage in the book, and that is all I can say about it.

Mr. Shatford: You don't know whether they are cash receipts or not? A.—No, I have no knowledge of that; I have not got the vouchers.

Mr. Pooley: You are not the secretary of the Development Company, are you? A.—Yes.

Q.—And are you the treasurer too? A.—No; I have never handled the accounts and I have never seen them.

Q.—May I see the statement? A.—That is only a trial balance.

Mr. Taylor: It is the first trial balance that has ever been taken off, I suppose? A.—No. I believe the books have been balanced annually. I may say that those are not original entries in that book. The book was originally kept with P. Welch's books.

Q.—How late have they been put into this book? A.—Oh, just recently.

Q.—By whom? A.—By the treasurer and myself.

Q.—Who is the treasurer? A.—Mr. White.

Q.—Whereabouts did you do that? A.—In Victoria here.

Q.—How did you get P. Welch's books in Victoria? A.—Mr. White brought them over, and he is Mr. P. Welch's manager. That is the book there in which this account was written.

Q.—What was that called? What was that book called? A.—Well, I presume it was a ledger, but I did not handle it. It contained some personal accounts.

Q.—What was the idea of putting the Development Company's accounts in this particular book? A.—In order to make a book up for the Development Company.

Q.—Since this investigation started? A.—Oh, yes, it was just recently.

Q.—What do you mean by recently? A.—Well, as a matter of fact, it was—

Q.—Yesterday? A.—Oh, no. No, I balanced it yesterday.

Q.—When was it? A.—One day last week.

Q.—What day? A.—I will give you the day in a minute. I rather think it was Thursday or Friday.

Q.—Are you sure it was either Thursday or Friday? It might have been Saturday.

Mr. Maclean: It was not Sunday? A.—No, no. I think I had the book in this room here on Saturday.

Mr. Taylor: It is not so far back that you should forget, Mr. Thomas? A.—No, certainly not. But there is nothing important about the date, is there, Mr. Taylor? Perhaps Mr. Tate could assist me. Do you remember what day Mr. White was over?

Mr. Tate: Well, it was not Saturday; I know that. I would say it was Thursday.

Mr. Taylor: Now, what was the idea of getting all the Development Company's books written up for the first time last Thursday? A.—Well, the books were called to be produced here, and there were no separate Development Company's books; and Mr. White told me he kept his accounts in the ledger, or in this book, which I took to be a ledger, along with other private accounts.

Q.—Now, are you satisfied—for the auditors are going over this matter later—that you put everything down correctly in this book, and left nothing out of the Development Company's account? A.—Well, we checked it up.

Q.—Just answer my question, yes or no. Are you satisfied you put everything belonging to the Development Company's accounts in this, and you left out nothing as far as you know, and you put it all in this book? A.—Yes, I am satisfied of that.

Q.—Correctly, I mean? A.—Well, I have a suspicion in my mind that there is an interest account there that is not right.

Mr. Hanes: That is this interest account—of \$242,000? A.—No, it is the item above that that I am doubtful about.

Mr. Taylor: Is that the only thing you are doubtful of? A.—That is the only thing that is not clear to me.

Q.—That is the only item that you have any doubt of its being correct? A.—Well, that is not clear to me.

Mr. Maclean: That might be correct, but it is not clear? A.—Yes; and the other item of \$242,000.

Mr. Hanes: What is that? A.—That is interest estimated to have been earned on the investment to date. You will understand, Foley, Welch & Stewart put up all the money in the Development Company, and the Development Company has no receipts but those few that I mentioned, and this amount of interest was calculated on—well, I don't know exactly—he told me the rate of interest; but it was estimated to be the amount of interest that would have been earned on the investment up to August, 1916.

Mr. Taylor: How much do the Development Company owe to Foley, Welch & Stewart? A.—\$1,600,000-odd.

Mr. Hanes: That they owe to Foley, Welch & Stewart? A.—Yes.

Q.—How is it that in that statement that P. Welch has put in, that he shows he has invested \$1,500,000 in the Development Company? A.—I think it is \$1,190,000. I think that this statement shows more than Mr. Welch's statement.

Mr. Taylor: How do you account for that? Is it taken off by the same man? A.—Well, Mr. Davis explained that Mr. Welch's statement was taken off hurriedly, and you will remember that he called attention to an error that had been discovered.

Mr. Tate: There was \$130,000 taken off, Mr. Taylor.

Mr. Taylor: How many shares were sold in the Development Company? I understand that the capital stock is fully paid up and held by Foley, Welch & Stewart? How many shares were subscribed and paid for in cash? A.—There were shares to the value of \$800, but I have forgotten the amount of the subscription.

Q.—The amount paid in for shares was only \$800? A.—Yes.

Q.—And Foley, Welch & Stewart took the whole share capital, and still claim all their advances against the Company? A.—Yes. You will notice an item below that of "Property agreement." It is that agreement. Under the conditions of that agreement the stock was declared fully paid up—\$249,200.

Q.—Have you got that property agreement? That is \$249,200, and plus the \$800 makes the \$250,000, and that property agreement would be turning over what the Pacific Great Eastern Railway Company got from the Province of British Columbia, or what they were supposed to get? A.—Yes, I believe I have that.

Q.—Will you produce it? A.—Will you please get that agreement from the Development Company—from Foley, Welch & Stewart—regarding paid-up stock? (Addressing clerk.)

Q.—Don't you think that you ought to get that? Just let me see the agreement first before I ask about that. This statement states that the Pacific Great Eastern Development Company had been paid \$1,681,500? A.—Well, I was under the impression it was \$1,190,000.

Mr. Tate: Mr. Davis explained that.

Mr. Taylor: Will you just tell me this: Have you got the details of Foley, Welch & Stewart's advance of \$1,633,000? A.—The details?

Q.—Yes. A.—Yes, the details are all listed in that book and give reference to each voucher.

Q.—Would you mind turning to them? A.—Well, take the page that happens to be open.

Q.—Yes, I would just like to see it. A.—Take any of this account, and you will notice the voucher reference is given.

Q.—But where are the details? A.—What Foley, Welch & Stewart paid for each voucher?

Q.—Where are the details that go to make that \$1,681,500? A.—Well, the details were not given separately.

Q.—Where is Foley, Welch & Stewart's personal account? A.—At page 51, and you will notice it is only there in pencil.

Q.—It is here in pencil. Whose handwriting is that? A.—Mine.

Q.—Now, where are the details? I see in pencil these were August 31st, 1916, \$1,628,952; and February 28th, 1917, \$1,633,886.50. Now, you did not dream that. Where did you get that from? A.—The August one I balanced with the August draft that had been taken off the notes.

Q.—The point is this? Where are the details of that alleged advance to Foley, Welch & Stewart? Surely that can be produced? A.—Yes. The details are the cheques that paid for this.

Q.—Where are they? A.—All in Vancouver.

Q.—Where are they in this book? A.—Under each separate account.

Mr. Tate: Explain them. A.—Mr. Taylor has them in front of him. Since the Development Company had no money, every separate voucher that was paid had to be paid by Foley, Welch & Stewart, and instead of opening a bank account they were just credited to Foley, Welch & Stewart *in toto*.

Mr. Hanes: The Company had no bank account? A.—No.

Mr. Taylor: And you say that \$1,600,000-odd is the sum total of all the different disbursements contained in this book? A.—Yes, less the credits.

Q.—Now, why isn't that all entered up in some one account, the total of such-and-such an account—paid so-and-so—so that we can find it? A.—Well, there are various accounts for it. They are here and the balance-sheet is here for the purpose of showing it.

Mr. Hanes: How much interest has this Development Company received from the Railway Company? A.—We have paid no interest to the Development Company.

Q.—Well, how much does the Railway Company owe the Development Company? A.—That would be shown on the statement.

Q.—Well, would it be shown on this statement here? A.—No; the Development Company has not taken this into account.

Q.—Why not? A.—I don't know why not. I am not the accountant of this Company.

Q.—Well, if it is owing, isn't it a matter of \$60,000 a year? A.—Yes; it would amount to that, I suppose.

Q.—Well, shouldn't that be shown on this balance-sheet? A.—Well, I would show it if I were getting it out. I would show it in my railway statement.

Mr. Taylor: But you don't pretend to say that the details of this \$1,633,000 are shown on the balance-sheet? A.—Yes.

Q.—Whereabouts are the details shown? A.—Oh, not the details.

Q.—Well, the lump-sum details are not shown there? A.—All the debits are.

Q.—Making up what? A.—Making up a total of \$2,211,931.85.

Q.—Yes; and all the credits? A.—The separate credits make up another item, and the balance is what Foley, Welch & Stewart must have paid.

Q.—That is exactly what I was trying to get at; these alleged debits that you have here, and these alleged credits, you subtract one from the other, and you call the rest Foley, Welch & Stewart's advances? A.—Yes, because I was assured all these accounts had been paid by Foley, Welch & Stewart.

Q.—Well, don't you think that if I paid out to you one day \$10, and another day \$15, I would have an account of it, and the total would be the total advance I made to you? A.—Yes.

Q.—Why don't they keep their books in the same way? A.—Well, that is a matter that you will have to ask them about.

Q.—Take this Foley, Welch & Stewart account—it is a deduction from a certain addition which, taken together with certain subtractions, makes that amount. Well, now, to get at that would mean going into these alleged amounts here, and finding out just exactly whether they are the actual amounts? A.—That would be the only way of checking them up.

Q.—One of the alleged amounts that constitutes the debit side that Foley, Welch & Stewart must have advanced is this \$250,000, which is property turned over to the Company and which you know that they did not advance a cent on? A.—You will also see the corresponding credits in the liability column of \$280—and \$240,000—that will show you how it is made up, so there could not be any possibility of an error there.

Q.—Yes, that balances it? A.—Yes.

Mr. Hanes: Well, as treasurer of the Railway Company, could you tell us how much money the Railway Company has paid the Development Company for freight rates and wharfage charges? A.—I did not understand that.

Q.—I say, as treasurer of the Railway Company, can you tell us how much money the Railway Company has paid the Development Company for freight rates and wharfage charges? A.—No, I cannot.

Q.—Well, have you got your book here? A.—My book would not show that.

Mr. Taylor: Just a moment. You have charged in this statement that was filed as Exhibit 64 the other day, or which Mr. Davis filed, there is shown there disbursements of \$1,681,000 for the Pacific Great Eastern Development Company, and you have shown no credit opposite that. Now that is what I am getting at. You have shown that in Pat Welch's account, and what is

the reason Pat Welch does not credit it—or that they don't credit the 250,000 shares which represent the whole investment of \$1,681,000 and more? Now, they bought an Indian reserve, for instance, which they say is worth so many millions of dollars. Mr. Tate has given it very large figures. That is their property represented by their shares. Now, why would Mr. Pat Welch claim that he is out \$1,681,000 when he has all those properties, represented by those shares, in the Pacific Great Eastern? Why should he charge up that \$1,681,000 to another person? A.—Well, I think that is a thing that my opinion is no better on than the Committee's.

Q.—No better than the Committee's? A.—No.

Q.—You see, there is the fallacy of the whole situation. They turn in Exhibit 64, and they say that shows we have lost money, and that Exhibit 64 contains \$1,681,000 in one place for the Pacific Eastern Development Company, and they hold the actual property represented by the shares.

Mr. Tate: But they are willing to turn it over?

Mr. Taylor: Yes; but, of course, there are a lot of people now ready to turn over their real estate. It shows that the \$1,681,000 has no business in that statement at all. It has absolutely no business in that statement any more than my private account has.

Mr. Tate: The equipment account is in there in the same way.

Mr. Hanes: You mention an item here of \$45,000, I think, for freight rates or wharfage? A.—I think that is in the account—but I mention that amount.

Q.—Well, now, what portion of the tracks of the Development Company does that cover? A.—I have no details of that charge or credit.

Q.—Isn't it a fact that it has been shown in evidence here that the Railway Company built and paid for most of the railway-tracks that are on the Development Company's property? A.—Well, that was not brought out by any evidence when I was in the room, and I would not say that is a fact.

Q.—Well, as treasurer of the Company, do you know that the Railway Company paid for the yards at Squamish and roundhouses, and the extra piece of railway that was built out to there? A.—You are speaking of the lands?

Q.—No; I am speaking of the railway itself? Wouldn't the Railway Company pay for that? Do you know as treasurer if the Railway Company paid for the yards at Squamish? A.—You mean by the yards, the tracks and appurtenances?

Q.—Yes. A.—Yes, the Railway Company must have paid for those.

Q.—And that was on property owned by the Development Company, wasn't it? A.—Yes, but under agreement of sale to the Railway Company.

Q.—At a certain figure? A.—Yes, as set out by the agreement.

Q.—But the fact is, it was built on the property of the Development Company, that is vested in the Development Company? A.—Yes, that is a fact.

Q.—And unless the Railway Company can find \$850,000 from the Provincial Government, which since 1915 is bearing interest at 7 per cent., which is something like \$60,000 a year, the Railway Company are not able to get possession of those lands, are they, according to the agreement? A.—I don't know whether that is the only source open to the Railway Company. If that is the only source of revenue you mention, I must say I don't know.

Q.—Well, the Railway Company would have to pay that \$156,000 to get possession? A.—The railway has possession.

Q.—Well, to get a final deed? A.—Yes.

The Chairman: To get title?

Mr. Hanes: Yes, to get title? A.—And interest under the agreement.

Q.—Which is about \$60,000 a year? A.—Yes.

Q.—At the rate of 7 per cent. interest? A.—Yes.

Q.—And failing the Railway Company's paying this amount of \$850,000, then the Railway Company are out all the money that they paid on the Development Company's property. They would lose that, wouldn't they? A.—Well, I don't know what the result in law would be. That is really a question in law, I take it.

Q.—Well, I was asking Mr. Thomas that question. He is the treasurer of this Company. You are the auditor of this Company? A.—Yes, of the Railway Company.

Q.—And the secretary and treasurer? A.—Yes.

Q.—Now, don't you think, as treasurer, it would be better to have an outside auditor to audit the books—that is, just the same as a municipality? A.—Well, an outside auditor might be called in.

Q.—Well, it is customary for a corporation to have a treasurer and an auditor separately, isn't it? A.—No; only in large corporations; it is quite common then.

Q.—It is quite common, isn't it, to have an auditor who is a separate person from the treasurer? A.—It is common to have one—if this is what you mean—to have an auditor come in occasionally to audit the accounts.

Q.—Well, take a corporation such as a municipality; isn't it a fact that an auditor is a person separate from the treasurer? A.—I am not familiar with that.

Q.—Well, take an ordinary liability company; isn't it a fact that an auditor has to be a separate person from the treasurer? A.—Well, that would be an auditor who would audit the accounts periodically.

Q.—Every year? A.—Yes, or in periods; it might be oftener than once a year. Usually, when the by-laws require a balance-sheet to be presented to the shareholders, an audit is made.

Q.—Well, according to that statement, if the Company were going to file a balance-sheet for the year, it would have the signature of an outside, independent auditor ordinarily? A.—Yes; but that would depend entirely upon the regulations. The Company might or might not do those things. I know of no law that requires that.

Q.—Isn't it a fact that limited liability companies in Vancouver have to have an independent auditor, who shall not be an officer of the company? A.—Well, if it is a fact, I do not know of it at present; I may have forgotten it.

Q.—Well, this railway is an exceptional case? A.—This railway is not a limited liability company. It is incorporated under the "Railway Act."

Q.—This is an exceptional case. Now, as treasurer of the Company, I will ask you about this charge which the Development Company has made to the Railway Company for wharfage and freight. Could you give us any idea of how this is made up or for what; or if there is an agreement between the two companies respecting these freight rates? A.—Well, you are rather mixing up your question there; but answering the last part first, there is an agreement.

Q.—Well, has that been produced here yet? A.—It has not been produced by me.

Q.—Well, if you have an agreement between the Development Company and the Railway Company respecting the charges, I would like to have you produce it? A.—As to an agreement, however, while the Railway Company is being operated by P. Welch, the agreement provides that P. Welch shall assume towards the Development Company the position that the Railway Company shall ultimately assume when it takes over the right-of-way.

Q.—Well, that will give the rates that the Development Company are charging the Railway Company? A.—Yes. As a matter of fact, you have the words inverted—that the Development Company is charging for the wharfage.

Q.—Well, as I understand it, the Development Company owns five or six miles of railway as well? A.—I don't understand that.

The Chairman: Well, this statement of yours shows the assets and liabilities of the Company? A.—Yes, in the form of a trial balance.

Q.—Yes; but does that show it so that an ordinary man who does not know anything about books can see the assets and liabilities from that? A.—Yes.

Mr. Taylor: It does not show the \$850,000.

Witness: The accounts are carefully explained under their headings. Each account shows what it represents.

Mr. Taylor: Well, I have not seen them yet.

Mr. Hanes: Well, does that show the \$850,000 liability? A.—I beg your pardon?

Q.—Does this balance-sheet show that the Railway Company owes the Development Company \$856,000 for land? A.—No.

Q.—Well, how can that show it? It is incomplete, then.

Mr. Taylor: It is worse than that. The Railway Company has not got an account in the book at all, has it? A.—No.

Q.—If this Development Company sold \$856,000 worth of land to the Railway Company, surely they ought to have it in this book. It is not paid yet, but surely it ought to be here as a ledger account. There is no P.G.E. Railway account except the operating account.

Mr. Tate: We have it in our books, I know.

Q.—Well, that would not be complete as it is there? A.—No, I would not consider that complete.

Q.—Well, you told me before, when I was asking you the question, that you considered it an absolute correct statement of the accounts of the Company as taken from these other books, and you took them off correctly? A.—Yes.

Q.—And you believed it to be correct except for one item of interest? A.—Yes.

Q.—Now, there is an \$856,000 item—a transaction for land—a little transaction like that that is not in the book at all? A.—Well, it was not in the other book either.

Q.—Well, I don't see why it was not—if they get an \$800,000 sale, there is an outstanding promissory note? A.—There is no record of that note.

Q.—There is no record of the note and no record of the sale. But if the Province took over that railway to-day, the Railway Company would have an account, and this account might crop up, you know, in some book or other, and they would claim that the Development Company should get \$850,000 for the land that was bought—134 acres—and they bought 1,250 acres of the same land for \$200,000.

Mr. Tate: The \$2,000,000 is to be spent on reclamation.

Mr. Taylor: There is a whole lot of money I have got to spend yet, but the question is what I have spent.

Mr. Thomas: Well, you will find, as to the Railway Company's accounts, if the road is taken over by the Government, the railway account will show what it owes, and what is owing to it.

Mr. Taylor: Why doesn't this book show it; if it is a *bona-fide* transaction, why isn't it in the Railway Company's books? A.—Well, I am not in a position to answer it; I am not the accountant.

Mr. Hanes: Well, could an auditor go and make an independent audit from that book? A.—I think so.

Q.—What is the reason Mr. White is not here to answer these questions instead of you? A.—I don't know why I am being examined on this at all.

Q.—Because you made out the statement and wrote up the book. A.—But just merely at dictation, and I made up the statement, and I would not care to put anything in that might not be intelligible.

Mr. Hanes: Why was it left you to make up that statement?

Mr. Pooley: He said he made it up with Mr. White? A.—I made up the book with Mr. White, and I drafted off the statement afterward.

Mr. Taylor: Now, have you found that agreement yet? A.—Well, they were not able to find it, but I think I can find it.

Q.—Would you mind going out and bringing it in? Now, that just leaves a matter of the audit, Mr. Chairman, to be disposed of. I might say the auditors have already taken off the audit from the papers here, and they are not going to experience the difficulty that they first expected. But it is absolutely necessary for them to go over the books.

Mr. Hall: Mr. Chairman, since the session of this morning I have had a talk with Mr. Howatson and Mr. Anderson, two of the witnesses who were called; and on previous and other occasions I have had some talk with Mr. Townsend, the auditor. I understand from them, and especially from Mr. Anderson and Mr. Howatson, that it will be of considerable advantage and convenience in the first instance to have an audit made of the books in Vancouver first. I propose to move that such accounts and other books as are necessary, and which are here, be sent to Vancouver on the understanding that they are returned; and that the auditors, whom I think should have the assistance of Anderson and Howatson, should proceed at once to Vancouver and make that audit. I understand from Mr. Tate that the entire books will be turned over—

Mr. Tate: Absolutely.

Mr. Hall: I understand that, and that Mr. White and every other official of the Company will give all the information which is required by the auditors. I make this motion in this way chiefly as a matter of expedition. Not only ourselves but the Companies' representatives understand that we want this audit and statement at the earliest possible date. It will be understood, of course, as far as my motion is concerned, that we do not waive any right to the production

of any and every book and voucher, if needed. I think the motion can be substantially digested from my remarks.

Mr. Taylor: The audit will consist in the preparation of the tabulated statement?

Mr. Hall: Yes. And also such other information as they may think it advisable to bring to the attention of the Committee after the inspection of the books.

Mr. Taylor: It does not mean a full and regular audit in the ordinary sense?

Mr. Hall: No. I understand as well from the Company that if any member of this Committee desires to look at any of these books, the position is to be the same as if they were produced here, except that they are over in Vancouver.

Mr. Tate: Quite so, absolutely.

Mr. Taylor: And if found necessary afterwards, and the Committee desired, they will be brought here?

Mr. Tate: Yes, of course.

Mr. Taylor: All exhibits will be returned in any event to Victoria immediately the auditors are through with them.

Mr. Hanes: Mr. Hall, if this auditor had been sent over to audit this book here (referring to book which had been produced immediately before), how would this Committee know what was in it, and what kind of audit would be made if we accepted the statements contained in a book like that?

Mr. Hall: I am going to leave that matter up to the auditors.

Mr. Pooley (referring to same book): This is just a trial balance.

Mr. Taylor: You are referring now to Exhibit 190.

The Chairman: You have heard the motion; is there any discussion?

Mr. Taylor: Would it not be as well to rescind the other one first?

The Secretary: That was not passed; you let that stand.

(Pages 820 to 822 of record referred to.)

Mr. Hanes: I thought we instructed them to bring their books here, and they should have been down here two or three days ago. It would have to be rescinded then.

The Chairman: No, I am not in favour of rescinding that motion at all. (For the production of books at Victoria.) The motion is that we make another attempt to get this tabulated statement made by the auditors. As far as waiving production of books, I am not prepared to rescind any motion in respect of it.

Mr. Hanes: What does the resolution call for which was passed on the very first day's session? The Company have received notice to produce their books, and why have they not done so according to the request of the Committee?

Mr. Maclean: To start with, I think you are wrong. That motion has not been made.

The Chairman: As I understand the situation, the auditor and Mr. Howatson and Mr. Anderson have stated that this statement is wanted in a hurry, and it can be done quicker in Vancouver than here; what I suggest is that after we get that statement we can get everything that the Committee require, and can be put on the table. I am not in favour of rescinding any resolution for the production of these books in any circumstances. Personally, I have been trying to get that statement the last week, and do not seem to be any nearer now than then.

Mr. Taylor: I understand from the Hon. John Oliver that it is absolutely necessary to get that statement, and clear this matter up within a few days, if it is to be any good to him.

The Chairman: Any further discussion?

Motion put to the meeting.

Mr. Hanes: I am against that motion.

The Chairman: The motion is carried.

Mr. Taylor: The auditor states that a statement such as you are asking for can be produced this time to-morrow.

The Chairman: As soon as the auditor informs me that the audit is completed, we will call this Committee together.

Adjourned accordingly.

TWENTIETH SESSION.

WEDNESDAY, April 4th, 1917.

Meeting called to order at 11.10 a.m.

D. E. TOWNSEND (of the firm of Price, Waterhouse & Co.) produced a financial statement.

The Chairman: I find here a letter from the auditor; it is addressed to me as Chairman of the Committee:—

"3rd April, 1917. J. W. de B. Farris, Esq., Chairman, Select Committee, Investigating P.G.E.R. Co.

"DEAR SIR,—We understand that pursuant to a resolution passed by the above Committee which is embodied in an Order in Council dated April 2nd, 1917, we have been appointed to make an audit of the books of Mr. Patrick Welch, railway contractor. We presume that the main object of the audit in question is to ascertain the profits made by Mr. Patrick Welch on his construction contract dated September 23rd, 1912, with the P.G.E.R. Co., together with an investigation into such matter as we may deem necessary during the process of the audit. We understand it is desired that we commence this audit as soon as possible, and in this connection we suggest that possibly it would be more satisfactory if the itemized statement of profits (in somewhat the same form as the statement enclosed herewith, but showing actual instead of approximate figures, and any other items of expense or profit not shown thereon) was in the first instance furnished by Mr. Patrick Welch and put in by him as evidence.

"It appears to us that if this procedure is followed it possibly may not be necessary for us to prepare a statement.

"The procedure we suggest is not without precedent in the East, and would in all probability result in a substantial saving of expense to the Government.

"We trust it is understood that we cannot undertake to do this audit within any specified time. We can only give you our assurance that it will be accomplished in the quickest time possible.—Yours very truly."

The Chairman: Mr. Townsend, what is this statement you have here?

Mr. Townsend: It is a summary of a statement showing the approximate total difference between the amounts earned by P. Welch as shown by Engineers' estimates to November 30th, 1915, under his construction contract, dated September 23rd, 1912, with the Pacific Great Eastern Railway, and the estimated average amounts earned by stationmen on engineers' estimates to November 30th, 1915, plus the amounts paid to sub-contractors, according to information ascertained by and furnished to us up to April 13th, 1917. In other words, it is a statement of the profits as far as we have been able to ascertain from information that has been given to us.

Mr. Pooley: Given to you by whom?

Mr. Townsend: These two gentlemen here.

Mr. Pooley: Messrs. Anderson (witness in inquiry) and Howatson.

Mr. Townsend: Yes.

Mr. Hanes: In addition to that, the statements which have been filed here as to what the sub-contractors received for their work and the stationmen received for their work?

Mr. Townsend: Yes; and according to the information furnished to us and ascertained by us. (Attention was called to the fact that Mr. Townsend had not been sworn.)

D. E. TOWNSEND, duly sworn, testified as follows:—

The Chairman: Mr. Townsend, now that you have been sworn, you reiterate the statements you have already made before you were sworn? A.—Yes.

Mr. Pooley: As I understand, the information that you have received for the purposes of this statement was received from Mr. Anderson (who was one of the witnesses in this matter; not Mr. Anderson, the Secretary) and Mr. Howatson, and from the books of the Company; is that so? A.—No. From the various documents that are here now, filed by the Company; the engineers' estimates and other things.

Q.—But not from an actual inspection of the Company's books? A.—No.

Mr. Hanes: It has been compiled from your inspection of the documents that have been produced? A.—Yes.

Q.—The original documents, showing the contracts and settlements? A.—Yes.

Q.—With the stationmen and sub-contractors? A.—That is the idea, yes.

Q.—You have to get information in regard to day labour? A.—Yes. At present it is assumed that the work done by day-labour cost at least the average amount paid to the stationmen for the various parts of the work.

Q.—That is shown on the settlements? A.—It is shown on the statement, and was obtained from the settlement sheets and information furnished to us.

Q.—And instead of working all these details out, you take out all the figures as shown on this statement from the settlement sheets yourself?

Mr. Pooley: He takes it from this statement.

The Chairman: With the assistance of these men. A.—That is the idea; that is it absolutely.

The Chairman: We will have them testify as to whether it was taken off accurately or otherwise, as the case may be.

Witness: Now, this statement shows a total approximate net difference of \$7,681,097.90. I advisedly did not state that this is profit; you can realize why that was done; you can appreciate why I did not state that it was profit. The net difference is \$7,681,097.90.

The Chairman: Let us understand, what is that difference? A.—It represents the difference between the amount received by P. Welch, or the amount shown to be received—or, rather, the amount as shown to be earned by him on these estimates furnished to that date, November 30th, 1915, and the total of the average amounts earned by stationmen for the same work, plus amounts shown to have been paid to sub-contractors.

Mr. Pooley: The stationmen and the sub-contractors? A.—The stationmen and the sub-contractors.

The Chairman: And the day-labour as well? A.—Yes; but in the preparation of this statement we have had to assume certain things as being correct, and that is why we qualified the statement here.

Mr. Shatford: Does that include all amounts in connection with the construction of the road? A.—Well, that is just what I am coming to; this was necessarily qualified in that we didn't get these figures from his books. In the approximate statement it will be observed that we have taken the engineers' estimates of work done to November 30th, 1915, as that was the date of the last estimate furnished up to the time when the proceeds of the guaranteed securities were exhausted. We only went up to the time when the proceeds of those securities were exhausted.

Mr. Ross: What is the date you have there? A.—The date of the estimate is November 30th, 1915. We have assumed that the value of the work performed by P. Welch cost at least the estimated average amounts earned by stationmen. That is, in order to ascertain what P. Welch actually paid, and what it cost him to do the work that he has performed, we thought it was proper to assume at this stage that it cost him at least what it cost the stationmen; probably cost him less.

The Chairman: That is in cases where the work was done by day-labour? A.—That is the idea.

Q.—Instead of working that out in detail, you treated it in that way? A.—Yes.

Mr. Ross: Do you know what proportion of it was represented by day-labour done by P. Welch and the sub-contractors? A.—No, I could not tell you that.

The Chairman: Can the Committee arrive at it approximately in the statement? A.—No. The procedure followed in getting out this statement was—for instance, take the item of clearing; we know what P. Welch got per acre for clearing, say \$150; and we know what the stationmen got per acre on a computed average basis for clearing; and this proportion of the total of what P. Welch got represents what it approximately cost to do that work.

Mr. Pooley: In the clearing, how do you arrive at those figures; have you taken the whole acreage of the right-of-way? A.—We have it in sections.

Mr. Hanes: Just on the acreage that he was paid for? A.—Yes.

Q.—That amounts to more than the total acreage in the estimates? A.—Now you are getting into something that these gentlemen over here (Messrs. Anderson and Howatson) can probably explain better than I can.

Mr. Pooley: Do you mean to say there is no data there showing the actual number of acres that P. Welch was paid for? A.—Oh, yes; we have the amount that he received from the P.G.E.R.; that includes the amount that he actually did himself by day-labour.

The Chairman: This statement does not tell us how much was done by day-labour; but you have taken the cost for the stationmen, and then figured it out on the day-labour basis, that it did not cost any more than for the stationmen? A.—I think that is a reasonable supposition.

Q.—If there was any difference, it would be less, and not more; if it were less, the discrepancy would be greater still? A.—This is a preliminary statement and probably gives P. Welch every leeway. We are giving him the benefit of certain items; for example, there is no profit here for commissary, or anything of that sort. It is just to indicate to the Committee that there may be need for further investigation when it is shown that there is a profit or, as it is put, a net difference of \$7,500,000. There is another point; we have assumed that the payments made to the sub-contractors as per the settlement sheets furnished to us represent all the profits earned by them. But there seemed to be very few of those settlement sheets given to us; the amount paid to the sub-contractors as shown on the settlement sheets amounts to about \$598,000. Whether that represents all the payments made to sub-contractors or not we cannot tell at this stage. The only items of cost included is the estimated average amount earned by the stationmen, plus the amount paid to sub-contractors.

Mr. Shatford: Did Mr. Thomas assist you in this work at all? A.—No.

Q.—That statement might be entirely misleading, then? A.—I don't think so. We cover ourselves in the statement; it must be understood that this by no means represents anything more than an approximate statement.

Mr. Pooley: As I understand, that statement does not include anything outside of the general contract? A.—No.

Q.—Neither does it include any profits that P. Welch made, say, out of the commissary and supplies, and so on? A.—This statement as furnished now was on the advice of counsel for the Committee. It just gives an idea, and was intended to show, or to indicate rather, that there was considerably more profit, according to the difference that is shown here, and giving every leeway, and excluding items of profits which do exist, but which at this stage we cannot truly ascertain.

The Chairman: There is a suggestion that the overhead expenses would be at least offset by the profits from the store account, and for the purposes of your statement they have been eliminated? A.—Yes.

Mr. Pooley: You have nothing to go on to show what was the overhead expense in any way? A.—No.

The Chairman: It is pretty safe to assume that they were at least offset by the store accounts.

Witness: There is also another statement which has been prepared from the settlement sheets, the sub-contractors' settlement sheets, which have been furnished to us; and these settlement sheets I understand have been put in as evidence, and sworn to. We are pretty safe on them——

The Chairman: What does this statement show, Mr. Townsend? A.—I thought the Committee would be interested to see these percentages of profits that were earned by these various sub-contractors. For instance, it ranges from 6 per cent. up to 32 per cent.; the one of 32 per cent. profit is McPhee and Welch (I don't know whether that is significant or not); the next highest one is Nicholson & Company, who got 24 per cent.; as it comes down the scale it is 18 per cent., Byrnes, Jordan & Welch. These facts may convey more to the Committee than they do to me. I don't know Nicholson & Company or who the members of that firm are.

Mr. Ross: I do not think you have any right to make any suggestion that this statement means one thing or another.

Mr. Hanes: Take Byrnes, Jordan & Welch; it states on the sheets that \$36,000 was divided between six of them.

Witness: I am just going on the facts which have been ascertained from these documents.

Mr. Ross: Your first remark about some name being significant, that was entirely gratuitous in my opinion.

Witness: I said it may be significant to the Committee. I don't know anything about it.

The Chairman: Which Welch is that, does anybody know?

(Some one stated, "That is Edward Welch.")

Mr. Hall: He draws it to our attention, as it may be significant; that is all. (Referring to witness's reference.)

Witness: I do not want it to be construed that I am either working for P. Welch or the Committee; as far as I am concerned, it is simply a statement of fact.

The Chairman: We had better mark these documents that are produced.

Witness: These are submitted tentatively on condition that you will let us have them back; and we will have them typed, and furnish you with a proper typewritten copy; that is the only statement we have.

The Chairman: We had better mark this one, and then allow it to be taken for the purpose of putting in a new one.

Witness: This was made for the convenience of the Committee.

The Chairman: Mark it for what it is worth, more to identify it than anything, and on the understanding that the Secretary will allow the auditor to take it out.

Mr. Pooley: What is that statement?

The Chairman: This is a statement, a tabulated statement of the sub-contractors' profits as appears from the percentages given. This will be Exhibit 192. We had better consider this letter next. Have all the members of this Committee heard this letter read?

(It was understood that Mr. Maclean had not read the letter, and it was handed to him for that purpose.)

Mr. Hanes: Is that letter now open for discussion?

The Chairman: I suppose that is why we are here.

Mr. Hanes: Mr. Chairman, what I think about it is this: that the books of P. Welch and the vouchers should be brought over here; they should be clearly under the direct supervision of the Committee. We were appointed as a Committee to take this evidence, and to have the production of all documents, vouchers, and books, in order to make a searching inquiry. If this material is in Vancouver, it is outside the jurisdiction of the Committee, and in any case it is beyond the reach of the members of the Committee. The Committee have been appointed by the Legislature for the purpose of the most thorough inquiry, and we should have the books produced here. I would ask for them to be here in order that this audit may be made, and so that the Committee may be informed from time to time as to the progress and outcome of the audit. I would like to move that these books be brought over, that the Committee ask for the production of them here in Victoria.

Mr. Maclean: I have just read the letter, Mr. Chairman, and although I do not act for Mr. Welch at this inquiry, yet I think I may go so far as to say that Mr. Welch will be very pleased to comply with the request contained in that letter. He is only too anxious to facilitate the work of this Committee in every way.

The Chairman: The question we are discussing now is whether it is a matter of expedition to follow the suggestion of the auditor in having Mr. P. Welch prepare a statement showing the approximate difference between the amount he earned and what the sub-contractors and station-men earned, being the amount of profit shown in his own books; and then it can be seen what further investigation of the books is necessary to check his statement.

Mr. Hanes: I am opposed to that suggestion, and I wish my statement to be on the record. I understand from the auditor that it may take him several days; no specified time is given. Now, here is a Committee who want to make a report to the Legislature at an early date, and they cannot do so unless those books are brought over here, so the Committee may become familiar with them from time to time, and understand the accounts which are being prepared.

The Chairman: Mr. Thomas, how long would it take you to submit to the Committee a correct statement along the lines of that report put in by Mr. Townsend this morning?

Mr. Thomas: Mine has already been submitted.

The Chairman: You would not speak for Mr. P. Welch?

Mr. Thomas: No.

Mr. Pooley: Then, do I understand that what Mr. Hanes is suggesting is for the members of the Committee, who are not auditors, to extract this information from the books? I take it that they could not do it quicker and more expeditiously than the auditors; if that is Mr. Hanes's suggestion, I differ from him, and, personally, I am not an auditor and I do not propose to assume the auditor's duties.

Mr. Hanes: No, I did not say that; I did not state that at all; you are absolutely wrong. I wish it to be on the notes that I did not state that at all.

The Chairman: Mr. Howatson, you were in the office there, weren't you, P. Welch & Company? A.—The Company's office.

Q.—What Company? A.—The Railway Company.

Q.—What would you say as to P. Welch's office producing that statement which the auditor asked for? A.—I should think that Mr. White has got things in such a shape in Vancouver—he always had them in good shape—that he would be able to produce that statement in three or four days, I should think.

Mr. Pooley: What is to prevent the auditor from taking a trip to Vancouver, as the Committee will be shortly adjourning for the Easter vacation, and he can then have a look at that statement, and see whether it is what he wants; I understand it is not prepared yet.

The Chairman: Mr. Williams, if we adjourn to-day, and Mr. White is instructed, do you think he could have the statement prepared and have the books checked up with it by Wednesday?

Mr. Williams: I would not like to promise anything like that, but I would say it would be as soon as possible.

Mr. Hanes: There is an Order in Council with reference to the appointment of the auditors. That will show that the books were to be produced here. That is already in the record.

The Chairman (to Mr. Townsend): Was this letter which was written by you discussed with Mr. Oliver?

Mr. Townsend: Yes; and I understood that he rather favoured the suggestion contained therein. I did not submit it to him, but he just happened to be in the lobby as I was going to get it from the typist. I thought he would be interested to see it then.

The Secretary: Mr. Thomas produces Exhibit 193, Pacific Great Eastern Development Company minute-book.

The Chairman (to Mr. Williams): Did you suggest that the statement was prepared now?

Mr. Williams: Mr. White told me they were working on it and that it was practically finished.

The Chairman: The thing is as simple as A-B-C; as soon as the statement is finished, let them produce it here, and let us have the books and documents here to check it up.

Mr. Maclean: Does that Exhibit 191 show approximately the difference between Welch's receipt and disbursements; is that what you mean?

Mr. Townsend: Yes. If you will just take the ruling on the top of the schedule there, you will be able to tell exactly what it is.

Mr. Maclean: Mr. P. Welch must have had very extensive disbursements, outside of what he paid the sub-contractors. A.—I was aware of that fact; and that is why that reference is put in the bottom of the statement here.

Mr. Maclean: He did some work, I understand, directly?

Mr. Townsend: That is all in there. But we assumed that it would cost him at least what he paid the stationmen.

The Chairman: Mr. Hanes has a motion; let us settle this question.

Mr. Hanes: I move that this statement of Mr. P. Welch's be prepared, and that the Committee request that the statement of P. Welch be produced for Wednesday morning, and also his books and vouchers, before the Committee.

Mr. Hall: On Wednesday of next week?

Mr. Hanes: Yes.

Mr. Hall: I will second that motion, and I will do it for this reason: It strikes me that P. Welch will be anxious to have the statement put in by the auditors here, either confirmed, or approved, or disapproved at an early date. In view of what Mr. Williams has said, it seems to me that it will be an easy matter to get it in shape for Wednesday next.

The Chairman: Any discussion?

Motion put to the meeting. Carried.

The Chairman: I will suggest, unofficially perhaps, that in the meantime the auditor, in conference with Mr. Oliver, might consider the question of the auditor being over there, and seeing that the statement is being prepared, and will be here on Wednesday morning. We have asked for the production of all the books and vouchers of P. Welch, together with such a statement as they are preparing.

Mr. Maclean: As far as I am concerned, Mr. Chairman, I am prepared to carry out as far as possible the wishes of this Committee, but I hope you will allow me to say that I am sure the Committee does not wish to occasion people any greater inconvenience than is necessary. Now, you have your skilled auditors here, and I suppose the Government and the Committee have full confidence in them. I do not see why they could not do a lot of that preliminary work, and avoid dragging over here a lot of books and matter, which will have no effect except to inconvenience the office in Vancouver.

The Chairman: The question has been put and carried; I don't know that we can do any more.

Adjourned to 10 a.m. of the following Wednesday, April 11th, 1917.

TWENTY-FIRST SESSION.

WEDNESDAY, April 11th, 1917.

The Committee of Inquiry herein met pursuant to adjournment at 10 a.m.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, L. W. Shatford, H. S. Hanes, J. M. Yorston, W. R. Ross, and R. H. Pooley; S. S. Taylor, Esq., K.C., appearing as counsel for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway; Messrs. E. P. Davis, K.C., and J. N. Ellis, appearing as counsel for Messrs. Foley, Welch & Stewart.

The minutes of the previous meeting were read by the Secretary and approved.

Mr. Davis: Mr. Chairman, would it be possible to have an order made that there be no smoking in the room where these vouchers and papers of P. Welch & Company are? The man who has charge of them tells me he is a little afraid of a fire, for there are so many papers laying around, and a fire might be started and those papers are very important.

The Chairman: Well, I don't know what jurisdiction I have to make that order.

Mr. Davis: I think, if you are satisfied the order should be made, it would be carried out. It is only a question of the auditors. Of course they will not smoke. Our people will not smoke there.

The Secretary: That can be arranged with the Sergeant-at-Arms.

The Chairman: We will certainly make the order for you.

Mr. Maclean: It was something like that that caused that big fire at Ottawa.

Mr. Hall: I believe there is an express order that smoking should not be allowed.

The Chairman: We were to have a statement. Is that statement ready, Mr. Davis?

Mr. Davis: No, but it will be ready some time this afternoon. I may say a force of men to the extent of fourteen in number have been working day and night since it was requested—Sundays and holidays and everything else—and it will be ready some time this afternoon; and we are quite willing the minute it is ready to have a copy given to the auditors so that they can look over it, and you can be that much ahead as far as that is concerned. We are hurrying it along as much as we can.

Mr. Hall: Here or in Vancouver.

Mr. Davis: Oh, here. The stuff is all here—the books and all that, box after box of them.

Mr. Taylor: I would like to have a copy given to me this afternoon.

Mr. Davis: Yes, I will have a copy to Mr. Taylor this afternoon.

Mr. Taylor: Just as soon as it is ready.

Mr. Davis: Yes, just as soon as it is ready.

The Chairman: Do you want to examine Mr. White now?

Mr. Taylor: I would like to call Mr. Gamble first, if you have no objection.

Mr. Bullock: He is out of town. He won't be back until Friday.

Mr. Davis: By the way, can we get a copy of Mr. Townsend's report? Unless we have a copy of that, we have no way in the world of showing whether there are any inaccuracies in it.

The Chairman: Yes, you are entitled to it.

Mr. Taylor: Mr. Townsend's report?

Mr. Davis: Yes.

Mr. Hanes: That statement was just filed roughly, and the understanding is, when Mr. Welch presents his statement, that the auditors will check it over and see how it compares.

Mr. Maclean: Well, Mr. Chairman, we put in a statement; it was put in and very roughly made—but still it went in and the Committee wanted it.

The Chairman: I think we are entitled to see it.

Mr. Taylor: This statement is being checked over and will be ready in a few minutes, and then we will supply a copy to my friend. I have it here, but the one I have here is not checked up yet.

Mr. Davis: There is no hurry about it, so long as we get it some time this afternoon.

Mr. Taylor: It is understood it is only a statement which shows on its face that it is made up of material on hand in Victoria, and the auditors had not the possession of the books, and some of these items had to be estimated with the assistance of Mr. Howatson and Mr. Anderson.

Mr. Davis: We understand it may not be accurate. All we want is for you to give us what you have, and it will be an opportunity to assist the auditor.

Mr. Taylor: It is only fair to say the auditors think the total difference will be greater on a thorough check than what they have shown on theirs. That is, it will be more than \$7,680,000, because they have not taken into consideration the profit on the commissary and several other things.

The Chairman: Where is Mr. Gamble?

Mr. Bullock: He is away on a tour.

Mr. Taylor: As to Mr. Gamble, Mr. Chairman, I may say we have here some very important estimates which he has now sent to the Secretary of this Inquiry Committee, and it is very necessary for us to have Mr. Gamble here to find out how he made up these estimates of costs for the final construction of this road, and where he got his data from, and just how dependable this actually is.

The Chairman: I think you had better wire Mr. Gamble to come back.

Mr. Maclean: Is that an estimate of the cost of completion?

Mr. Taylor: Yes. I will file those so that you will have the benefit of them. Mr. Gamble writes a letter on the 4th April, 1917, to Mr. Anderson, the Secretary of this Committee, reading as follows:—

"I enclose herewith, in response to your request, estimates of the cost of the Pacific Great Eastern Railway—first made in 1913, and the second in 1917. In view of the fact that the price of material is rising and labour is very scarce, it is quite possible that the latter estimate may be exceeded—locomotives and other rolling stock have doubled in price. It is probable that the steel for the high trestles cannot be obtained within a couple of years.—Yours faithfully, F. C. GAMBLE."

That is addressed to F. W. Anderson, M.P.P., Legislative Assembly. Now, the first estimate you have already had filed in the other exhibits, showing the estimated cost between Second Narrows, Burrard Inlet, and Fort George to be \$27,811,927.40. The items of which are given here. "Average cost per mile, \$58,014.03." The second estimate made in 1917 reads as follows:

"Total value of work performed as per Estimate No. 41.....	\$18,000,000
Estimated total cost to complete.....	10,779,203

Total	\$28,779,203 "
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This estimate includes rolling-stock and equipment. See details attached.

"The distance between the Second Narrows, Vancouver, and Fort George is, according to the last estimate, 476.1 miles: this divided into the above total gives an average cost per mile of \$60,448."

Now, this second sheet, there are important details there, and it is very necessary to find out where Mr. Gamble got his estimates from.

"Approximate estimate of cost of completing the Pacific Great Eastern Railway from Second Narrows, Burrard Inlet, to Fort George:—

"Engineering	\$ 126,814
Station-grounds and right-of-way.....	700,000 "

You can readily see why that should be checked up.

"Grading, 51 miles, namely:—	
From Second Narrows to Lonsdale Avenue.....	3 miles
From White Cliff to Squamish.....	27 "
And at Mile 247.....	21 "
	—
	51 " 2,589,728

Yet to be graded.

Bridges and culverts, including steel bridges.

Yet to be done.....	2,297,776
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Track in main line, including ballasting and all material, 284 miles—

204 miles at \$9,245 per mile.....	\$1,885,980
80 miles (without rails) at \$3,800 per mile.....	304,000
	—
	\$ 2,189,980

Sidings and yards, 12 miles @ \$9,245 per mile..... 110,940

Frogs and switches 17,400

Crossings and signs..... 8,000

Filling in and making good at end of bridges..... 80,000 "

Now, there is an estimate here for which estimates in detail should be produced.

"Roundhouses and shops.....	200,000
Water and fuel stations.....	100,000 "

All those are in round figures and are for large amounts.

"Telegraph	122,000
Fencing	151,000
Interlocking plant	6,000
To complete ballasting of 180 miles north from Squamish.....	306,000
Rolling-stock and equipment.....	2,332,929

Total \$ 11,538,567

Less amount paid out of amount provided by the 'Loan Act'..... 759,364

Proportional amount \$10,779,203 "

I will file this as Exhibit 194. Is there a member of the Forestry Branch here? He is not heré. I will file now a letter received from Mr. D'Arcy Tate on April 3rd, 1917, directed to myself, reading as follows:—

"DEAR SIR,—I find on referring to my personal diary of 1914 that I was able to be out a little after my return from Sol Duc in August—using my car. I was not able to move around freely until the spring of 1915, which gave me the impression yesterday that I had been less in the office in the latter part of 1914 than I find to have been the case. In fact, I may say that I attended the office in the forenoons during the latter part of 1914 fairly regularly. I was at the Buildings attending a meeting of the Executive, August 25th. I trust you will accept my regrets for yourself and for the Committee that my erroneous recollection in giving evidence should have occasioned any confusion. At the same time, it is certain that the interviews I referred to in the Premier's office when Bowser and Gamble were present could not have taken place in the spring of 1914, as from March 1st, when I arrived from London, until July 7th, when I left for Sol Duc, I was confined entirely to my rooms in the Empress Hotel through rheumatism, for which I had been under treatment in London, and for which Dr. Jones was then attending me here. It is just possible there may have been two interviews with the Premier at which Mr. Bowser was present, although I have only a recollection of one—that of which Mr. Gamble spoke yesterday; but I have an equally distinct recollection of a conversation in the Premier's office about the bread-line, about which I remember Mr. Bowser

was chiefly concerned. It may be that, owing to my illness, my placing the events in 1914 is a bit out of perspective. I am having a further examination of our office files made with the idea of discovering some correspondence on the subject that might help to correct my memory.—Yours truly, D'ARCY TATE."

Exhibit 195.

Mr. Taylor: Mr. Sperry is here, and I think it would be well to call him and get his evidence over this morning.

A. H. SPERRY, a witness called on behalf of the Department of Railways, being duly sworn, testified as follows:—

Mr. Taylor: Your full name, Mr. Sperry? A.—Albert H. Sperry.

Q.—What is your position in the Railway Company? A.—General manager of the construction department.

Q.—Construction? A.—Yes.

Q.—Under Mr. Welch, then? A.—Yes.

Q.—I beg your pardon? A.—Yes, sir.

Q.—Do you get any salary from the Railway Company? A.—No, sir.

Q.—Have you ever received any salary from the Railway Company? A.—No, sir.

Q.—How long have you been general manager of the construction department? A.—Since November, 1912.

Q.—Have you anything to do with Mr. White? A.—Yes, sir.

Q.—In what way? A.—Well, in relation to my duties as operating officer of the railway-construction department, which I might explain—my duties are connected with the train service and traffic.

Q.—What else? A.—The traffic.

Q.—That is not construction. I say that is not the construction department? A.—No, but the—

Q.—You said you were general manager of the construction department, and that is the operating department? A.—Well, the operating department is carried on by the contractor.

Q.—We all know about that. You are a general manager of the construction department, you say. Now, I say, are you under Mr. White, or is Mr. White under you? A.—Well—

Q.—What have you to do with it—anything? A.—Well, nothing as to authority. I am in charge of the train service under Mr. Welch.

Q.—Under Mr. Welch? A.—Yes.

Q.—You are under Mr. Welch. What have you to do with the construction, then? A.—Well, I have had charge of the train service and track-laying, and have had charge of the crew engaged in the track-laying, and of the station agents.

Q.—Yes; what else had you to do with it? A.—Well, I made—I had charge of the tariffs that were issued.

Q.—The tariffs? A.—Yes.

Q.—That is the operating part? A.—I have had nothing to do with the construction other than in connection with the train crews, and the operating of the track after it was laid.

Q.—Your proper department is that you are in charge of the operating of the railway? A.—Yes.

Q.—Operating during construction and since construction? A.—Yes.

Q.—Do you know how much your operating department has cost? A.—Yes, sir.

Q.—Above receipts? A.—Yes, sir.

Q.—How much? What are you looking at now, Mr. Sperry? A.—I am looking at a statement made up on November 30th.

Q.—Who made that statement up? A.—I beg your pardon?

Q.—Who made it up? A.—The auditor of my department.

Q.—What is his name? A.—Mr. Wiseman.

Q.—Is he here to-day? A.—He is; yes, sir.

Q.—Did you check that statement over? A.—Not personally, no.

Q.—Well, you are giving evidence from something then that he has prepared for you. What do you want to say about it? A.—All I can say is I believe it is correct.

Q.—All right. Give me the items, please? A.—The loss from the operation, \$78,411.82. This is up to November 30th, 1916.

Q.—Have you anything since that time? A.—Well, the statements were not completed.

Q.—Would it be greater since that time? A.—I estimate the loss from operation as perhaps \$4,000 a month for December, January, February, and March.

Q.—That is the net loss? A.—The net loss. That, however, is only an estimate.

Q.—That is the loss incurred in operating that railway during the whole time it has been operated by Mr. Welch, \$78,411.82, plus this additional \$4,000 a month for December, January, February, and now March. Is that the only loss that that department suffered? A.—No; there has been a loss for depreciation of the equipment.

Q.—Has that been fixed by your stock-taking? A.—That does not enter into these figures.

Q.—Has that been fixed by your stock-taking? A.—No, sir.

Q.—That is a loss, then, that has never been fixed. How much has been invested in the operating department? A.—Well, that would be—

Q.—Over and above the revenues, I mean—after crediting all the revenues, how much has been invested up to date in the operating department? A.—That would be—I don't quite know how to answer that question. The investment is by the Railway Company, and I have not those figures.

Q.—You have not got those figures? A.—This statement which I might file would show the receipts.

Q.—Yes. Would you mind letting me see that copy, or have you more than one copy? Thank you.

Mr. Davis: By the "Company" you mean the Equipment Company? A.—Yes.

Q.—And not the Pacific Great Eastern Railway Company? A.—No.

Mr. Taylor: Do you know how this statement is made up? Have you a duplicate there before you? A.—Yes.

Q.—Do you know how this statement is made up? A.—Well, it is made up of the revenue accounts and operating expenses.

Q.—Yes; we can see that on the face of it. What I am getting at—and perhaps I was not explicit enough—was this: For instance, you see "general expenses" under "operating expenses." Do you know what is included in the general expenses of \$51,113.38? A.—In a general way I do.

Q.—What is included in that? A.—The superintendent, and station agent, office clerks, and stationery, insurance on the bridges, I believe. If we had our ledgers here we can show them.

Q.—And what else? Try and exhaust this, when I ask you the question, please. What else? Don't let us be finding out things after, through our auditors, that you should have told. Now, if you can recollect, just tell us? A.—Well, it is all the general expense of the operating department—the salaries, for instance.

Q.—Strictly confined to operating? A.—Yes.

Q.—And nothing else? A.—Nothing else.

Q.—Now, that is what I am getting at. What is the meaning of "Transportation expenses, \$260,232.61"? A.—That is the train service—train crew, oil-waste, coal, and station agent's expenses, and the employees of the station agents, and the general expense of conducting the service.

Q.—It is strictly confined to operation? A.—Yes, strictly confined to operation.

Q.—But take "maintenance and equipment"; that is simply the rolling-stock, etc.? A.—Yes, that is the rolling-stock—the engines and cars.

Q.—"Maintenance of way and structures, \$131,192.73"? A.—That is the sectionmen.

Q.—Was there any of that turned into the Government as construction charges? A.—No, sir; not of this amount.

Q.—Not of that \$131,192.73? A.—No, sir.

Q.—None of that was turned into the Government? A.—No, sir.

Q.—What makes you say that? How do you know that to be absolutely true? Have you followed it up to see? A.—Yes, I have followed it up. I might explain that there has been turned in—

Q.—Yes, we have that evidence in. There has been maintenance of way turned in. A.—Yes; but I want to explain it, if you will let me.

Q.—Yes, go ahead? A.—There has been turned in a certain amount of sectionmen's accounts for labour performed in removing rock-slides. That has been turned in, but none of the men's sub-contracts has been—

Q.—Just a moment; don't you call "rock-slides" maintenance? A.—No, sir.

Q.—Isn't that called "maintenance" on the Canadian Pacific and Canadian Northern, and on all the operating roads? A.—No. I understand that all the roads include the permanent improvements of their ways.

Q.—As Capital Account? A.—Yes, or a certain proportion of it.

Q.—But where a rock-slide came down on the C.P.R., or where a bridge was taken out by flood, you would not call that "Capital Account"? A.—Well, if a bridge was taken out, it might not be, but a rock-slide or a widening embankment—

The Chairman: Well, a widening embankment does not include taking rock off your track? A.—No.

Mr. Taylor: Rock brought down by water, or by the elements, or seepage, or snow-slides. Take snow-slides, for instance. What do you call that? A.—Well, I understand it is a proper charge for "improvement to a track." At least, we handled it that way.

Q.—Have you any idea how much you have turned in to the Government by way of charges of this kind? A.—No.

Q.—Approximately? A.—No; but we could have a statement prepared.

Q.—That is a long way off now. Can't you give us a short-cut answer, approximately? A.—I could not say approximately.

Q.—No idea within \$20,000? A.—I don't think it is that much.

Q.—Oh, you don't think it amounts to \$20,000? A.—No; but, as I say, I don't know.

Q.—Very well. You say you don't think it amounts to \$20,000 in the revenue accounts which you have shown here.

Mr. Hall: Just before we pass on; do I understand "maintenance of equipment," means keeping up the equipment, or does it include the replacing of different cars? A.—That includes the repairs to locomotives and cars.

Q.—But not replacing them? A.—No.

Mr. Hanes: What proportion of the maintenance is that, Mr. Sperry? All of it—all of the repairs to equipment on the line? A.—Yes; that is what I understand it to be—all the repairs.

Q.—To all the equipment? A.—Yes.

Q.—Well, what portion of this equipment should the contractor keep for himself to build the line? A.—I don't understand you.

Q.—What portion of this equipment would the contractor need to build the line?

Mr. Taylor: What portion of that equipment would be needed in construction and was used for construction? A.—Well, that is a pretty hard matter to say.

Q.—There was a certain portion of that equipment needed in construction and used in construction, wasn't there? A.—Yes.

Q.—That is what Mr. Hanes is getting at? A.—Yes.

Q.—Why do you charge \$138,570.55 for operating expenses, for maintenance of equipment, when it should be charged (I am asserting this, and I don't know whether it is true or not—you can say whether it is right or not)—when it should be charged to Capital Account and construction? A.—The maintenance of equipment is not charged to Capital Account.

Q.—It is not here; but if it were connected with construction it would be? A.—No, no.

Q.—As an expense connected with construction? A.—No, not at all.

Q.—Then, we will not discuss that. You may think you are right, and I may think I am right; but is there any of this \$138,570 which is charged here to "maintenance of equipment" that was used in the construction? A.—I believe that some portion of it was.

Q.—Then, why do you charge it up to the operating expense of the road when it was used in the equipment? A.—Well, because the freight revenue represents the freight revenue that was charged to P. Welch in construction.

Q.—What is that again? A.—The freight revenue item represents the charges for freight which were charged to P. Welch.

Q.—In what way? You mean by the operating department? A.—The operating department. It is just an interdepartment charge.

Q.—And that \$356,196.59 item of freight revenue, you say a part of that is made up by a charge to P. Welch for hauling his materials? A.—Yes.

Q.—In the construction department? A.—Yes.

Q.—And that charge which you make to P. Welch for hauling his materials in the construction department would be turned into the Government and would be paid by the Government to P. Welch, wouldn't it? A.—I think not.

Q.—Why not? P. Welch would not lose it, surely? You would make the charge to P. Welch in connection with the operating end of this road, and he would charge it against himself—to P. Welch as the construction end of this road; and whatever charge would be made against him, from the construction end of it, it would necessarily go in to the Government and would be paid for in that estimate? A.—Well, my information is that they have not been turned in.

Q.—You are speaking now from something that some one has told you. Who told you that? I might tell you that freight is charged—the freight-haulage is charged up on this railroad, and we have already had it discussed in this inquiry—quite a large amount of it. Speaking now from memory, it is something like \$40,000 for one item—for hauling rails? A.—Well, I cannot tell you about that; but there is a great deal of this charge which has not been paid, because if you will look down below on this statement you will find an item for “train service” in the construction which shows an item of \$233,679.03.

Q.—I will come to that after a while. Just let us deal with one thing at a time. “Freight revenue, \$356,196.59”; that includes charges which your operating department made against your construction department? A.—Yes.

Q.—Now, do you know how much of that \$356,196.59 was chargeable to the construction department? A.—No, sir.

Q.—Could you say what proportion would be? A.—No, not at present.

Q.—Have you any data on hand which would show that? A.—I think the auditors can work it out. They haven't it prepared.

Q.—Have you an extra copy of this sheet which you could let me have? A.—No, I have only got the two.

Q.—I will get that one from you after I file this.

Mr. Maclean: Are you putting that in?

Mr. Taylor: Yes; this will be Exhibit 196.

Mr. Hanes: Does that item of freight revenue include a charge for any materials hauled to the sub-contractors—that item of \$356,196 that we are now discussing?

Mr. Taylor: Yes; what do you say about that? A.—I cannot tell you.

Q.—What is your belief? You are the general manager of the operating department? A.—I believe it did.

Q.—You believe it did? Well, that is a good answer. Do you know, roughly speaking, about what amount would be charged to the sub-contractors? A.—No.

Q.—Then, of course, whatever was charged to the sub-contractor by your freights department would be charged by P. Welch to that sub-contractor, and would come under the expenses chargeable in the construction of the road, and he would recover it from the sub-contractor? A.—I presume so.

Q.—And he also having paid it to the sub-contractor in that way, he would also charge it to the Government and get it out of the Government. This little circle always winds around the Government. That is true, isn't it? A.—I don't think I followed that, Mr. Taylor.

Q.—You didn't follow me? Well, I will put it to you again. There is a sub-contractor doing work for P. Welch on that road, and he is charged up with the haulage of the stuff on P. Welch's railroad, and the total of that haulage plus the balance of cash paid the sub-contractor would be the amount of that sub-contractor's cost of construction? A.—Yes.

Q.—And that sub-contractor's cost of construction would go into P. Welch's cost? A.—Yes.

Q.—And his construction cost would be turned in to the Government? A.—I presume so; but that is out of my department.

Q.—Another item of profit. A.—Well, don't misunderstand me.

Mr. Davis: Just explain that. A.—There is no item of profit here.

Mr. Taylor: I know the way it figures out, but we will take up one thing at a time. We will check that up; this particular bunch of figures does not show a profit, but we will take each item by itself and work that out afterwards. Now I will just follow on with this statement. “Passenger revenue, \$110,564.07.” Do you include there the haulage of the sub-contractors' men—the stationmen—the stationmen or their men; or the sub-contractors themselves, and the

stationmen themselves? A.—No; there may be some—no doubt there are some fares included there taken from the passengers.

Q.—No; passengers' revenue? A.—That is all the passenger revenue.

Q.—Yes, exactly. That would be the hauling of the stationmen and the hauling of the workmen for the sub-contractors; it would be included in that revenue, wouldn't it? A.—Most of the labour hauled was hauled free.

Q.—I say, would there be any of it included there in that item of passenger revenue? A.—There might be some; I would not be prepared to say that there were no fares collected; but the labourers going to work on the road were usually passed. That revenue is principally derived from the North Shore—from North Vancouver.

Q.—That is North Vancouver. By the way, you are operating in your department how much road? A.—Twelve and seven-tenths miles at North Vancouver, and 167 miles from Squamish north.

Q.—167 from Squamish north. And is that fully ballasted? A.—No, sir.

Q.—You have got a permit from the Government to operate a road not fully ballasted? A.—Yes, sir.

Q.—You have a permit to carry passengers and freight. At what speed? A.—Over part of the line at eighteen miles an hour, and part of the line at ten miles an hour.

Q.—How much of the line is at the rate of ten miles an hour? A.—Twelve miles, I believe.

Q.—And the balance eighteen miles an hour? A.—Yes, eighteen.

Q.—And how much of that road between Squamish—and what place did you say? A.—Clinton.

Q.—Clinton is not fully ballasted? A.—Well, the engineers would have to answer that; I could not.

Q.—In your estimation how much would you say? A.—I would say there was perhaps 50 per cent.

Q.—Not fully ballasted? A.—But I could not say definitely.

Q.—I see—not fully ballasted. What pound rails are you running over between Clinton—between Squamish and Clinton? A.—60 and 70 lb.

Q.—Those are the light rails—they are the lightest rails used in railway operation in Canada, aren't they? A.—I could not say.

Q.—Do you know of any lighter? A.—I don't know.

Q.—In passenger and freight operation? A.—I don't know.

Q.—You don't know of any lighter? A.—I don't know that I do.

Q.—The standard on the C.P.R. now is how much? On the main line throughout British Columbia, what is the weight they are using? A.—I understand they are using 65 and 80.

Q.—On the C.P.R.? A.—Yes.

Q.—65 and 80. Do you say they are using 65 on their main line? A.—I believe that they are using 65; I cannot speak positively if it is on some of their main line or not. I cannot say positively.

Q.—You mean to say that on the main line of the C.P.R. there is any 65-lb. rail used except in the yards? A.—Well, I cannot say.

Q.—Surely you know differently from that.

Mr. Maclean: You had better get that from some man who knows something about it.

Mr. Taylor: This is the general manager of the operating department of this railway.

Mr. Pooley: But he is not the maintenance-man, I take it.

Mr. Taylor: That is not maintenance. That is a matter of operation. A man ought to know the weight of the rails he is travelling his train over.

Mr. Davis: But there is no reason why he should know anything about the C.P.R. rails. He might never have been over it.

Mr. Taylor: He says he doesn't, and that ends it. Now, the next on this sheet is "general balance-sheet assets." These assets are owned, I suppose, by the Equipment Company, are they? A.—Those shown here are not.

Q.—Have you rolling-stock that is not shown on this sheet owned by the Equipment Company? A.—Yes, sir. None of the Equipment Company's effects are shown here.

Q.—I see. Then you haven't got the rolling-stock from along the North Shore of North Vancouver? A.—None of the rolling-stock is shown here.

Q.—But you have taken in all the revenue; that is in this sheet. You have shown all the revenue that has been earned by that rolling-stock of the Equipment Company, haven't you?
A.—Yes, I have; and we show it in the liabilities due the Equipment Company.

Q.—That is the way you show it. We will come to that afterwards. Now, then, I see in the assets you have here "tools"—first, "sundry expenditures for machinery," an item of \$20,109.89. And then "tools and miscellaneous equipment"—that comes in under that item, I see, of \$20,109.89? A.—Yes.

Q.—What is the meaning of that, if the Equipment Company own the Equipment Company's plant? A.—The Squamish Company and at North Vancouver there is the equipment such as jacks and hand-cars, and such equipment as that which they own.

Q.—What arrangement have you with the Equipment Company? You have to maintain their equipment and take it into the shops and repair it, and you have a large charge for maintenance, some \$138,570; that would include their equipment, wouldn't it? A.—Yes, sir.

Q.—That is what you charge up for the maintenance of their equipment? A.—Yes.

Q.—What arrangement have you with this Equipment Company? A.—We have none so far.

Q.—You have no arrangement with them. You know what the cost of their equipment amounts to? A.—In a general way I do, but I could not give you the exact figure.

Q.—About how much? A.—Something over \$600,000.

Q.—\$622,542.45 is set up on Exhibit 64. How do you pay them for the use of that equipment? A.—We have not paid them yet.

Q.—What length of time is covered by this expenditure of \$138,000 on their \$622,000 of equipment? It is a pretty healthy sum? A.—It has been ever since we have had it.

Q.—How long is that? A.—Well, it ranges from February, 1913.

Q.—From February, 1913, you have had the B.C. equipment there—or, rather, the P.G.E. Equipment Company's stock there since 1913?

Mr. Davis: Not the P.G.E.—the Equipment Company.

Mr. Taylor: I am talking about the Equipment Company. A.—I beg your pardon?

Q.—You told me that the \$622,000 is the value of their stock. How long have you had their stuff in use? A.—I cannot tell you. I don't recollect when the transfer was made. But this charge, if I may explain, is the charge made on maintenance of equipment since we commenced operations in February, 1913.

Mr. Pooley: What charge do you refer to, Mr. Sperry? A.—The charge for maintenance of equipment.

Mr. Taylor: It is the \$138,570 item shown on Exhibit 196.

Mr. Hanes: But the Equipment Company was organized in 1915, was it not? A.—Yes; but we have continued this charge in our operating books, showing it as the amount of our cost of operating.

Mr. Taylor: And you have not distributed a certain amount to the Equipment Company and a certain amount to the Railway Company, or to P. Welch? A.—No, that has not been done.

Q.—It is all mixed up together? A.—It is all mixed up together.

Q.—And you could not to-day go ahead there now and segregate it and show what should be charged to P. Welch and what should be charged to the Equipment Company? A.—Yes, I think so.

Q.—You think you can? A.—Yes, sir.

Q.—And that is shown in what books that you have in mind? A.—Well, it is not shown in our ledger, but it is shown in our shop-charge tickets, which puts all charges shown for labour.

Q.—That is what we are coming to. We have to go back—and I am not saying it offensively—to these dirty shop-charge tickets, which lay around machine-shops and are kept on the files and are handled by the men; that is right, isn't it? A.—No; you would have to go to the office vouchers.

Q.—You are referring to the office vouchers and not to what the foreman writes out in the shop? A.—No; I am not referring to what the foreman writes out.

Q.—Have you those on file? A.—It is in the superintendent's office.

Q.—And they have never been written up in any book, dividing them? A.—Yes, the superintendent has made up statements showing the cost of all repairs.

Q.—Exactly; but I am talking about the distribution between the Equipment Company and P. Welch? A.—No, that distribution has not been made up.

Q.—A large amount of this expense for equipment was due to equipment that was used on the Grand Trunk Pacific construction and for the construction-work of Foley, Welch & Stewart for old equipment? A.—There might be some of it for that.

Q.—Now, don't put it that way. Just put it not what it "may be," but just what it is. If you can give your answer more definitely, do it. I put it to you as a proposition, is it or is it not true that a large part of this item of \$138,570 is for repairs to what would be called second-hand, used equipment which was brought by Foley, Welch & Stewart to these works from other construction-works of theirs? A.—No, there is a very small proportion of it for that.

Q.—A very small proportion? A.—Yes.

Q.—Have you not in fairness some of these repair charges charged up to Foley, Welch & Stewart on other construction-work? As a matter of fact, why should second-hand stuff be brought down here and be repaired here at the cost of this particular railway? Why shouldn't that be charged up to the railway for which the work was done, and where the renewals should have been made? A.—I don't know of any case where that was done.

Q.—Can you say it is not a fact that that is usually what is done? A.—To my knowledge it is not.

Q.—To your knowledge it is not. Why do you say "to your knowledge"; don't you know? Mr. Pooley: He can only speak of his own knowledge.

Mr. Taylor: Do you know or do you not know definitely? Why do you say "to your knowledge"? Do you know? Are you in a position to say that you can speak definitely that it has not been done? A.—I am trying to recall, and I can only think of one locomotive that was brought from the Grand Trunk Pacific on to this work which perhaps had \$200 worth of work done on it before we put it in service on the North Shore.

Mr. Hanes: Well, is this for locomotive maintenance alone? A.—That would be charged to maintenance.

Q.—Well, but you are referring to locomotives? A.—Yes. If we bought that—if that locomotive is taken into our accounts as a second-hand locomotive, and there is a second-hand charge for it, there might be some small repairs for it.

Q.—Well, what is the most of these repairs on? What class of equipment? A.—On box cars, locomotives, flat cars, ballast cars, and so forth.

Mr. Taylor: And in your assets—in the assets shown in this account as "Stores Account," what is the meaning of that—\$40,553.05? A.—That means the supplies on hand. The repair parts for locomotives and cars, and car-wheels, and axles, and bar iron, and pipes—

Q.—The repair parts—I see; which means that the Pacific Great Eastern Equipment Company does not do its own repairing or keep its own plant up. It simply buys plant; it simply owns plant? A.—That is the case.

Q.—And you have no arrangement as to its use. Now, I see here under the assets, "Agents' Account, \$45,992.90." What is the meaning of that? A.—Well, that is our accounts due from the station agents as of November 30th, 1916.

Q.—Balances? A.—Yes, balances.

Q.—"P.G.E. engineering department, \$27,032.55." What is the meaning of that? A.—That is the bills for services rendered in the construction-work of various parts, and the accounts that have not been settled for yet. That is the balance.

Q.—Well, why do you put it in the engineering department? A.—Well, because those are items that are billed from the operating department right to the engineers for their approval and settlement.

Q.—By the engineers—that is, to the engineer, Mr. Callaghan? A.—Yes.

Mr. Hanes: What class of engineer-work do the engineers do for the operating department? A.—Well, the operating department did work for the engineers, and that is for services which were performed by our employees. I cannot say just what is in there.

Q.—How is it made up, or what is the consideration? A.—I just don't get it.

Q.—How is that item made up? What class of service was it that was performed? A.—It was put in the bill the amount for each service performed.

Mr. Taylor: But what class of service is it? That is what Mr. Hanes wants. He wants the general information of what you include in there? A.—Clearing a rock-slide. That is one illustration. I cannot say what the details of it are. I am not familiar with it.

Q.—Can't you give further details than just simply the clearing of rock-slides? A.—No, I could not. I haven't handled these bills, so I could not tell you.

Q.—But these are items that you seek to charge to construction? A.—Yes.

Q.—And they are items which the engineer has not yet allowed you to charge? A.—No, I cannot say that he has not allowed us to charge them.

Q.—I say is that true? A.—No; they are in process of settlement, and if they were disallowed they would be cut out of there.

Q.—And this item of \$27,032 is for stuff such as the clearing of rock-slides, etc., which the engineering department of the Pacific Great Eastern Railway has already passed on as being an item of construction? A.—No. It is simply submitted to them to be passed upon, but they may refuse them.

Mr. Pooley: Well, they are outstanding? A.—Yes.

Q.—As of that date? A.—Yes.

Mr. Hanes: And you figure that as an asset? A.—Yes. It is, unless we decide it must be charged to something else.

Q.—Now, how do you figure that the engineering department owes you that much? A.—Because we have performed service for it.

Q.—Well, what percentage is that based on, then? A.—I could not tell you, but the bills will show.

Mr. Taylor: And when you say the "engineering department," you mean P. Welch's constructing department; because the clearing of rock-slides would have nothing to do with the engineering department of the Pacific Great Eastern Railway? A.—Well, these are estimates made up by our department and submitted to the engineers for their approval.

Q.—To be charged to P. Welch's construction department? A.—Yes.

Mr. Hanes: And do you say as manager you do not know what that item is made up of? A.—No; I did not make it up, and I don't know.

Q.—As manager don't you know? A.—No; the bills themselves can tell you that. They are the best evidence. But I don't know.

Q.—You cannot give us any better idea than you have? A.—No, I cannot tell you. I have not handled it.

Mr. Taylor: I come now to the "train-service construction" item of \$233,679. What is included in that? You have that \$233,679 shown as an asset? A.—That is train service rendered P. Welch, hauling ballast and hauling his supplies in.

Q.—Not yet paid? A.—No.

Q.—It is an asset—not yet paid? A.—No, not yet paid.

Q.—And has it been passed on by the engineer as a proper charge to go to the P. Welch Construction Account? A.—No.

Q.—That has been passed, but not paid? A.—It has been accepted, but not paid.

Q.—When you say it has not been paid, you mean your department has not received credit for it? A.—No.

Q.—It might have been paid to P. Welch, but he has not credited your department with it? A.—If you go on a little further you will see where P. Welch has been paid it. There is a credit in the liabilities which offsets that.

Q.—We will come to that in a minute. By the way, we will come to that now. Which one do you refer to? A.—"P. Welch, General Account."

Q.—"P. Welch, General Account, \$393,124.70." That is a liability? A.—Yes.

Q.—You owe a liability of \$393,124.70? A.—Yes.

Q.—And that is how P. Welch has got paid for his train service? A.—Yes.

Q.—Just skipping them to the liabilities, how is it you owe him \$393,124.70? A.—Because P. Welch has paid all the pay-rolls for this department ever since we started.

Q.—And what else? A.—He has paid for all the supplies that go to make up the stores accounts—the sundry expenditures.

Q.—That is an item which would be covered by a tremendous amount of detail, wouldn't it? A.—Yes.

Mr. Hanes: Aren't there some other big items in there that you have not mentioned—in that \$300,000 item?

Mr. Taylor: As I said before, if you give this to us without our waiting to try and get it from an auditor, it will save a lot of trouble. If you know of any important items, you might just give it to us now? A.—I am trying to give you all I can.

Q.—Large and important items—have you omitted any of those? A.—No, I think not.

Mr. Hanes: How about the rental for cars? A.—Well, the rental for cars, I was just going to mention that; there has been no rental paid the Development Company, nor any bills for rental of cars made up covering that.

Q.—And there is none of that included in this item? A.—No.

Q.—Or any other item? A.—No. And there has been no such bills rendered.

The Chairman: Are you not charging up in any way in this statement for the use of the cars? A.—No; we will come to an item there in a little bit which I will explain, which is the only charge which has been made of that kind.

Mr. Taylor: Then reverting now to the assets again, there is an item here, "P. Welch, sundry bills, \$23,108.38." To get this thing in shape, you have the P.G.E. engineering department, \$27,032.55, which we have already spoken of; and train service, \$233,679.03; and then the next item on this sheet under heading of "Assets" is "P. Welch, sundry bills, \$23,108.38." Now, what would there be in the sundry bills that would not be included in the engineering bills, or in the "train-service construction"? A.—Well, those are sundry items, and I could give you a list of what they are.

Q.—What is the idea of making up a list like that? The engineering department and the train-service construction bills surely would cover the whole thing. What is the general notion of this train-service bill item? I should think you could include all that in the engineering construction? A.—Well, the train-service construction was separated so that we could show just exactly what the train service did cost; and the sundry bills are small items for other services performed by the operating department of P. Welch. I can give you a list of them.

Q.—Well, will you state them? Just illustrate them? A.—I don't know that I can.

Mr. Maclean: Well, give us a list.

Mr. Taylor: You cannot illustrate it offhand, but you can give a list of them. What is the meaning of this item here, "Terminal Steam Navigation Company, \$3,422.26," which is shown under your assets? A.—Well, they handled our freight between Squamish and Vancouver, and that is the balance that is due us.

Q.—That is the barge service, is it? A.—Yes, the barge service—well, their passenger and freight service.

Q.—This Terminal Steam Navigation Company is another company of P. Welch's, is it? A.—No, sir.

Q.—Whose is it? It is owned by whom? A.—It is owned by Captain Cates.

Q.—When was it formed, do you know? A.—Ten or fifteen years ago. They were operating to Squamish when we started construction, and we simply made a trackage arrangement with them.

Q.—Has there been any purchase of an interest in their company that you know of? A.—Not that I know of.

Q.—Have you ever heard of it? A.—No. But I am very confident that none of our Pacific Great Eastern people are interested in it.

Q.—The next item is, "Due from other companies and individuals, \$21,070.98." That includes a lot of items, I suppose? A.—Yes.

Q.—I come now to the liabilities. "P.G.E. Equipment Company, \$29,815.94." What does that mean? A.—That means the rental that we have charged against the use of track-laying machines, car-derricks, steam-shovels, and other special road equipment.

Q.—That is for track-laying machines. That would be exclusively construction material? A.—It is.

Q.—It would be construction plant? A.—Of course, these items have no meaning really except to us, for this reason—

Q.—I think they have. A.—If I may explain.

Q.—Yes. A.—When we use these machines we charge so much a day rental as against the cost of that particular piece of work to arrive at the cost, and the aggregate in the last

three years amounts to seven or eight machines, such as pile-drivers, and track-laying machines, and steam shovels.

Q.—What has your operating department got to do with renting pile-drivers, and track-laying machines, and steam-shovels? A.—That is part of the equipment, and is considered in making up our costs. In estimating our charges we find a credit of those items, and in order to arrive at the balance we show them in our accounts.

Q.—That is what I am getting at. I may be entirely wrong; but I cannot see what this operating department which you are the manager of has to do with a liability of \$29,815 for track-laying machines and pile-drivers; that would come under P. Welch's construction account and not in your operating department at all? A.—P. Welch stood the expense of it.

Q.—But you have nothing to do with the construction part? A.—Well, the operating department is all carried out in the first items here. That is a true statement of receipts and disbursements of the operating department. Our books also carried these other items.

Q.—This is a general balance-sheet of your general operating department, Exhibit 196, that I am now discussing? A.—It is matters that were carried in our books.

Q.—There is no question that I am looking at the balance-sheet of your department, because the first part in this sheet states "Loss from operations, \$78,411.82," and then we get down to the balance here—the general balance-sheet—and we find this same item carried forward on the debit side of \$78,411.82; and it is all one thing—the operating department. There is no way of getting away from it. But on the top I see you have here, "Pacific Great Eastern Railway Company construction department," and I think that that must be a typographical error. It means the operating department, doesn't it?

Mr. Tate: It means the operating department of the construction department.

Mr. Taylor: Just explain it. You have here the construction department, and it should be the operating part of the construction department.

Mr. Tate: Yes.

Mr. Taylor: That being so, I cannot see what you have to do with this item of \$29,815.94 as a liability? A.—Well, because we carried it on our books, and it shows on our books as a liability.

The Chairman: Well, what I would like to know, as a matter of curiosity, is why the operating department would charge up against yourselves for the use of things which had nothing to do with operation, and not charge up for the use of equipment which did have to do with the operating—like cars and things? A.—Well, the reason they have not charged for the use of the equipment was because they could do it any time, and we have not had any opportunity of doing it until this hearing.

Mr. Taylor: You see, Mr. Chairman, we have been given a statement, Exhibit 196, which shows that they lost in operating that railroad \$78,411.82, and now it shows it does not mean anything of the kind, because it is the operating end of the construction department that is represented here, and it is all paid for to P. Welch when he gets his money from the Government; it has nothing to do with that road as a running concern. That is what I am going into. I cannot see why you cannot prepare a statement which will show the general operating expenses and revenue of that road purely and simply, and not mix up the operating with the construction, so that it becomes a construction item, and something that P. Welch has paid for in his unit item? A.—Well, we hardly run a train over that road which does not cost something for material—

Q.—I would like to know if that be true, and if this in any sense is a statement showing purely and simply the operation of the road. I cannot see why you have an item here of \$29,815, which you say is for track-laying machine and pile-drivers. I could understand how you would have a liability to that extent if you rented their plant. But you say it is not for the P.G.E. Equipment Company's plant, and not for the completed rolling-stock, because you have no arrangement for that; but it is for pile-drivers and track-laying machines that is not used in the operation of the road, but it is for construction? A.—Well, Mr. Taylor, it does not show in the operation of the road. It does not show even in this statement as the operation.

Q.—This statement is not the operation of the road; it is construction? A.—It is partly operation and partly other things.

Q.—This statement, Exhibit 196, when it says there was a loss of \$78,411.82, it does not mean, does it, that that is the loss sustained from operating that road as a completed going concern, does it? A.—It means just that.

Q.—What? A.—Yes.

Q.—I thought you told me just now it was mixed up with construction? A.—Well, that statement shows for itself; it says "receipts and expenditures" and the loss from operation.

Q.—But some of that work is done as a feature of construction? A.—Yes, it is. It is all done as an incident to construction. But the road has not been turned over to the operation department yet. It is not a completed line yet.

Q.—I understood that you had so many miles of road turned over, which you have a certificate for to travel eighteen miles an hour on a portion of it, and ten miles an hour on another portion of it. That is what I am talking of now. A.—The construction department had a permit to carry freight and passengers, and it is not accepted as a completed road by the Government.

Q.—Probably we will get at the truth of the matter in this way: This statement is not intended simply to cover the operation of that road under the certificate given by the Government permitting you to operate, but it is intended to include that and also the work done in construction, isn't it? A.—That is correct.

Q.—So when you say there is a loss of \$78,411.82, you don't for a moment say there is a loss of that amount made since that road has been taken over and operated under the certificate given by the Government, in pure operating expenses and revenue? A.—No, it is not.

Q.—Otherwise it was misleading. It might have been our fault; we probably should not have been misled. Then you have produced no statement to show what has been the result of the operations of that road under the Government certificate as a going concern, partly ballasted, and fully ballasted, and running along the North Shore of North Vancouver. You have produced no statement to show that, have you? A.—No.

Q.—You can readily see that if it went out to the public in this way that you lost \$78,411.82 from operation, and were losing \$4,000 a month for these past four months, without the explanation that we have now got, it would be very misleading. The next item I find here is, "The Pacific Great Eastern Development Company, wharf earnings, \$62,601." That means that you owe them \$62,601.59? A.—Yes.

Q.—Have you ever paid them any money? A.—No.

Q.—Then the total wharf earnings to November 30th, 1916, amounted to \$62,601. That is right? A.—Yes.

Q.—A portion of that \$62,601 that you now say your construction department owes, it is actually owing by P. Welch's construction department for his construction material, isn't it? A.—Yes.

Q.—You see, P. Welch charges that up to his construction department; so why should it be put in here? A.—It is put in to segregate the different departments, showing the portion of each.

Q.—As a matter of fact, you could not show a loss of \$78,411.82 or anything like that, unless you did put those things in here, could you? A.—Well, that shows in there—

Q.—as a liability? A.—As a profit on a portion of the road.

Q.—No, a liability. \$62,101: that is not a profit on the operation of the road? A.—That \$62,000 has nothing whatever to do with the operation of the road. That is simply a credit which has been given the wharf for the material, and freight and passengers, and express that have passed over it.

Q.—I am quite aware it is not in your Profit and Loss Account, but it is in your general balance of assets and liabilities, and you have got the one balancing the other. If you are going to fix up one of these accounts, you are forced to fix up the other, because each one shows the same balance on this Exhibit 196. If we discover an error in one, you will admit, as a matter of book-keeping, you have to show it in the other. If I get an error in the first one, there has to be a corresponding one in the other? A.—Yes, sure.

Q.—How much of that \$62,101 that your operating department claims that you have got to pay for construction material that P. Welch got across this wharf—how much of it is due or attributable to construction material, or how much to general freight received as a common carrier over that wharf? A.—I could not give you the proportion of that.

Q.—Would you say that there would be \$5,000 of general freight handled over that wharf outside of construction material involved in the \$62,601 charge? A.—Yes, I should say that there was more.

Q.—You would say that there was more than \$5,000? A.—Yes.

Q.—How much would you say, as a rough guess? A.—Possibly \$10,000.

Q.—\$10,000? A.—Yes.

Q.—And \$52,000 was P. Welch's construction, and \$10,000 was other persons' freight, attributable to these wharf earnings, mentioned in your liabilities. That was for passenger tickets? A.—Yes.

Q.—War tax, \$137; that is a very small item, and we won't waste time on it. And there are two or three other small items. "Prepaid and advance charges (in transit), \$4,293.23"? A.—That is on freight item.

Q.—It had nothing to do with construction? A.—No, it had nothing to do with construction.

Q.—"Profit and Loss Account, \$3,157.02." We have not got a pure Profit and Loss Account made up yet, so we don't know what that means yet. Then comes "Loss from operation, \$78,411.82"—the same balance that I gave before. That is Exhibit 196, Mr. Chairman.

Mr. Hall: Mr. Sperry, why is this item in the liabilities, "P.G.E. Development Company, wharf earnings, \$62,601," credited to them? A.—Because we made up a scale of charges for materials passing over the wharf.

Q.—That was on the basis of the ownership by them of the wharf? A.—No. He simply made it up on the basis of all the tonnage that passed over the wharf—part of it to the public, and part of it was the construction of P. Welch's work.

Q.—Who owns the wharf? A.—The Pacific Great Eastern Development Company.

Q.—And that is the wharf where? A.—At Squamish.

Q.—And this \$62,101 is with respect to the wharf at Squamish? A.—Yes.

Q.—In connection with the rails, has there been any relay rails on this road? A.—No.

Q.—Do you know from whom the rails were purchased that were used? A.—I have heard the first 1,000 tons was purchased from Evans, Coleman & Evans, and approximately 16,000 tons were purchased from United Steel Products Company through Evans, Coleman & Evans, and then approximately 20,000 tons were purchased from the Algoma Steel Company. I am speaking now in round figures.

Q.—That was the total tonnage used? A.—Yes.

Mr. Davis: Mr. Sperry, the certificate you spoke of, from the Government for the operation of the road, that was the certificate obtained under subsection (7) of section 178 of the Act? A.—Yes.

Q.—Subsection (7) reads as follows: "The Minister, upon being satisfied that public convenience will be served thereby, may, by certificate as aforesaid, after obtaining a report of an inspecting engineer, allow the Company to carry traffic over any specified portion of the railway to the extent and in the manner prescribed in the certificate." About when was that certificate, do you remember, or the certificates from time to time? A.—We have had three: one for the district of North Vancouver to White Cliff, and one from Squamish to Lillooet, and one from Lillooet. I cannot give you the dates.

Mr. Taylor: You cannot give the dates. Now, as I understand, in operating that road, if P. Welch carries any stuff over it, such as timber or steel, that is charged up. There is a charge made against them for that transportation? A.—Yes.

Q.—Now, you said some of these charges would be carried on to the Government, and some would not. I want to have you show me the nature of those which would and of those that would not. Now, take steel, for instance, where there is no contract price in the contract with P. Welch. Any steel that he carried over that road, the freight would be charged up against P. Welch? A.—Yes.

Q.—That freight would be carried on to the Government for the Government to pay? A.—No.

Q.—That would not? A.—No.

Q.—Are you sure about that? A.—Well, I only know—I believe all the steel that we got—the freight was charged up to the material; and I know of no case in the delivery of steel to our place—I don't know of any where it was not charged up to material.

Q.—What I mean is this: What was paid by the Government, I understand, in connection with steel to P. Welch would be the actual cost of the steel with freight, and a small charge for handling? A.—Yes.

Q.—But the charge of that steel would necessarily be charged up to the Government, because it was a part of the cost of the steel where it was laid down? A.—Yes.

Q.—That must be charged up to the Government? A.—Yes.

Q.—But now take where it would not be charged to the Government—timber—where P. Welch gets a fixed price for timber, delivered at the spot or at the structure? A.—That would not be charged. May I explain? Any steel from the material-man to the point of traffic was not charged to the Government, but it was charged to P. Welch?

Q.—I beg your pardon? A.—It was charged to P. Welch by the operating department, to show the cost.

Q.—Now, these wharf charges that Mr. Hall was asking you about, they would be included in your general charges, would they not. You would absorb them—I think that is the word? A.—Yes.

Q.—You would absorb those wharf charges? A.—Yes, these wharf charges.

Q.—They would be a part of the freight that you would charge to the people carrying the stock over the road? A.—Yes.

Q.—And as those wharf charges would belong strictly to the Development, you would credit them with the amount of those wharf charges? A.—Yes, that is correct.

Mr. Hall: I am afraid I am a little dense, Mr. Taylor. I did not get the point you were making at the last with regard to these wharf charges. What I understand is this: On the basis of the wharf being the property of the Development Company, certain amounts were credited to that Development Company; isn't that the correct position? A.—Yes.

Mr. Davis: The same as if it were carried over the C.P.R. They would make the whole charge, but would have to credit back a portion for the part that was carried by the Development Company.

Mr. Hanes: Well, this charge shown here is for the wharfage, is it not; is that what you state—wharfage earnings? A.—That is the wharfage at Squamish.

Q.—And what rental does the Development get for the use of its tracks from the Railway Company? What freight rates or rental does the Railway Company or the Development Company receive for the use of its tracks? A.—They get the wharfage.

Q.—And does this wharfage— A.—It includes the use of the tracks.

Q.—And how much track does that include? A.—I could not say exactly.

Q.—Well, roughly, how many miles? A.—Well, roughly, about a mile and a half, perhaps.

Q.—Who paid for that mile and a half of track—the Railway Company or the Development Company? A.—I cannot speak for that; but it was my understanding that it was the Development Company that paid for it.

Q.—Are you interested in the Development Company? A.—Not at all.

Q.—Well, what interest have you in the Equipment Company? A.—None.

Q.—Are you an officer of that Company? A.—No.

Q.—You say you are not interested in the Equipment Company? A.—No.

Q.—How much does the operating department owe the Equipment Company for the use of the equipment? A.—That charge has not been made up. There has been no charge made up covering that.

Q.—Well, how much—approximately how much money does the operating department owe the Equipment Company? A.—Well, that is a pretty hard question to answer.

Q.—Well, what does the Equipment Company charge the operating department for the use of the equipment—say for locomotives; how much a day? A.—There has been no charge made; there has been no agreement made.

Q.—How much do they charge for the use of flat cars or box cars? A.—There has been no agreement made.

Q.—Well, how much for steam-shovels? Has there been no agreement on that either? A.—No.

Mr. Davis: Have the Equipment Company steam-shovels? A.—Oh, yes.

Mr. Hanes: Then the Equipment Company are carrying on business without any revenue? A.—Yes, as I understand, it is one company—all three—and these charges are interdepartmental charges.

Q.—Well, I am just asking you what rental was charged, what money the operating department owe the Equipment Company, and you say none; there has been none fixed? A.—There has been none shown on the books.

Q.—Well, there is not any? You say there is not any? A.—Well, I cannot speak of what charge the Equipment Company might make; I am not interested in that.

Mr. Pooley: He says he does not know it.

Mr. Hanes: Well, as general manager of the construction department, is there any agreement between the construction department and the Equipment Company as to equipment? A.—No.

Mr. Taylor: Has there been any credit put through? A.—None except the credits I have explained.

Q.—Well, Mr. P. Welch has told us that the Equipment Company is solely financed by Foley, Welch & Stewart, and P. Welch & Company have given a contract to build this road; and as a part of that contract they would have to supply their own plant for that construction; but if they were unable to put in the charges for the plant that they had to pay to the Equipment Company, in that way they would be dividing the purpose of their contract. Now, have there been any charges made or paid to the Equipment Company for plant or equipment, or any rentals? A.—No, not that I know of.

Mr. Hanes: Well, this statement you have presented shows \$589,193 worth of revenue? A.—No, it does not. It shows that amount less \$78,411.82.

Q.—Yes; \$78,411. Now I would like to know from you, Mr. Sperry, again what that \$131,192.73 for maintenance of way and structures includes. What do you say that includes? A.—Section labour and maintenance of bridges, and carpenters, and so forth, and such-like.

Q.—And is that all? Would that amount to that much money? A.—I would not say it is all. It is spread over three years; and it might be that there are some transportation charges in there, and it might be that there is some machine-shop work in connection with the section tools, and things of that kind.

Q.—Well, outside of that, should it include any other items? A.—Well, no; I would not put a limit on what it did include. Those are the principal items.

Mr. Davis: There would be vouchers for it all? A.—Yes.

Q.—And they are all down here? A.—Yes.

Mr. Hanes: Well, that does not include any items that have been paid by the Government as maintenance on that line? A.—No.

Q.—Now, this transportation expenses of \$260,232.61; what is that made up of? A.—That is made up of train service, fuel to locomotives, shop attendance, and work at the shops connected with the transportation; and station expenses—station agents. In fact, it is the same classification that is adopted by all the railways on the continent. It is the standard classification for distribution.

Q.—Now, you have separate books for the construction department, and separate books for the operating department? A.—Yes, I have for the operating department.

Q.—Now, take the North Vancouver end; does this maintenance of way and structures include bridges? You mentioned it included repairs to bridges? A.—It includes repairs to bridges which were not charged to the Government. Anything that was charged and paid for by the Government is not included in this item.

Q.—You cannot say, then, what is charged for maintenance in respect of bridges; what bridges are charged, and what bridges are not charged? A.—No, I could not say; the ledgers here will show it.

Q.—In referring to the matter of the hauling of steel, I understood you to say that the operating department did not charge for the hauling of steel? A.—They charged for hauling the steel over to the material-yard.

Q.—Where was that? A.—At Squamish——

Q.—Where? A.—At Cheakamus. I mean.

Q.—Who was that money paid to—what department? A.—I could not tell you.

Q.—Well, I mean, did it go into the revenue of the construction department? A.—All the revenue charged for hauling is in this statement; this statement shows all the revenue of the charges for hauling freight.

Q.—Is it not a fact that the Government paid for hauling \$20,000 or \$30,000 worth of steel up to Cheakamus, through the bills that were put in to the Government? A.—I do not know how much they paid; they paid for all the steel to the Cheakamus material-yard, or to some extent; I could not say offhand just how much.

Q.—How much salary are you getting? A.—\$500 a month.

Q.—In regard to the charges for freight, is it not a fact that you refused to give a rate to any person; that you refused to give a rate to any person that wished to haul logs down from up above Squamish? A.—No. I have stated that we wanted, in justice to our own line, in competition with other companies, and in order to secure industries on our line, and in protection of the future of the road—we have endeavoured to have the natural resources of the territory tributary to the line developed on our own track. The tendency of delivering logs to tide-water to be manufactured into lumber at other places is to allow the product of those logs to be sent East over other foreign roads or lines competing with the Pacific Great Eastern Railway.

Q.—What I asked you was, is it not a fact that you refused to haul logs for parties or to give them a rate? A.—I—I—I recall one case where I did so; we would not put in a log rate to tide-water for delivery, to be hauled away. I have not, so far as I can recall, refused to make a rate on logs to mills located on our own tracks.

Q.—Yes, but I was not asking you about that; I think you answered the question; in one case certain parties were not able to get any of their logs hauled, or to get prices for hauling the logs? A.—Of course, I do not say now that I would be willing to make a rate for hauling logs; it probably would not be very satisfactory; the Pacific Great Eastern Railway could not allow its logs, its natural resources, moved to Bellingham, or to some American line, to be disposed of.

Q.—That was, as I understand, your argument; but as a railway company, are you discriminating as to what freights you would take and what freights you reject? A.—Oh, I think that is quite proper up to a certain extent.

The Chairman: Let me understand that; do you say that if a logging concern want to haul logs on your line for the purpose of putting same on tide-water at Squamish, that you won't haul them. A.—Oh, yes, we will haul them, but we would make a rate on them.

Q.—You would make such a rate on them that they could not do business? A.—It would be the rate on logs; it is a heavy rate. A rate that will enable the shipment of logs must necessarily be very low.

Q.—You mean that you would make a prohibitive rate? A.—It is almost necessary to conserve the resources of the line to the Province, or owners.

Q.—It may be all right; but it is a surprise to me.

Mr. Taylor: This is supposed to be a colonization road, I understand.

Mr. Maclean: The Government of the Province are doing practically the same thing.

Witness: The colonization of the road—you will only colonize the country by getting industries along this line; it will not be by loggers shipping to other lines.

Mr. Taylor: You stand in judgment over the business-man; you say how he shall carry on his business. A.—Not at all.

Q.—And you won't carry this freight, if he is not carrying on his business to suit you?

The Chairman: Supposing that he wanted to bring those logs into Vancouver to manufacture them, would you put on a prohibitive rate? A.—We would put rates on the product of those logs that enables them to ship them and manufacture them on our own line at a less expense than to bring them to Vancouver. Since this arrangement was made we have two mills in operation, and four or five more in prospect.

Q.—Where are those two in operation? A.—One at Cheakamus and one at Squamish.

Q.—Who owns them? A.—Mr. Stewart and Mr. Lake.

Q.—Is that Mr. J. W. Stewart? A.—No; Mr. Hugh Stewart.

Q.—Who is he? A.—I think he is now connected with Stewart, Lake & Chapman.

Mr. Davis: Is he any relation to J. W. Stewart? A.—None at all. Wallace, Day & Co., yes; operating a mill at Cheakamus.

Mr. Hanes: What was that last firm? A.—Wallace, Day & Co.

Q.—Didn't Foley, Welch & Stewart own the mill at Cheakamus for a time? A.—They did; and they leased it to this company for three years.

The Chairman: Have they got an interest in the other mill; have they an interest in this mill, with this man Stewart and somebody else? A.—No.

Q.—I mean, Foley, Welch & Stewart? A.—No.

Mr. Hanes: Is that the mill you said you would give a rate to for logs? A.—We will give a rate to any man; we have four or five more sawmills in prospect.

Mr. Taylor: That last-named mill is at Squamish, isn't it? A.—They have rates there for shipping logs now.

Q.—The only rate they would have would be on logs, to bring them down to the mill? A.—They want the rate on their lumber.

Q.—They are at tide-water, aren't they? A.—Yes; but the market for their lumber is in the East, Ontario and Montreal; they ordered five car-loads last night shipped to Montreal.

Q.—That is to come up on your car-barge? A.—Yes.

Q.—That car-barge, isn't it owned by the other company you spoke of, the Terminal Steamboat Navigation Company? A.—No; the car-barge is owned by the C.P.R., and leased and charged up to us.

The Chairman: The Government at Vancouver could not buy logs along your line and compete with the mill at Squamish? A.—We would not like to have them.

Q.—And you would not allow them? A.—No, I could not say that.

Q.—Is not that the effect of what you tell us, that you would put a rate on to prevent them? A.—We cannot control that ourselves; the Government can step in and adjust the rate.

Q.—Well, don't quibble about it; is it not the fact that you could put a prohibitive rate on unless the Government did step in? A.—I don't think, according to my idea, that could be done.

Mr. Hanes: As I understand, you have admitted that you refused to haul logs for certain parties at a certain rate; in one case you did; that is a fair statement? A.—The people had no logs to haul, but they came in to see me in regard to logs, hauling logs to tide-water; and these people wished to ship these logs to the south of the line to be sawn into lumber.

Q.—And you refused to haul them? A.—I refused to haul them to tide-water, and I suggested that they put the mills on our line, and they are now planning to do that very thing.

Mr. Ross: When your line is completed you will be in the same position as other lines for Eastern traffic. A.—Yes.

Q.—When your line is completed to Fort George you will be in the same position? A.—The same rates; the same rates from North Vancouver, or Vancouver.

Q.—And your policy is to preserve (conserve) your natural resources? A.—That is the idea.

Mr. Taylor: Do you think that it is the function of a railway company to dictate how the natural resources of the country and its supplies shall be handled, or to dictate to the businessmen of the country how they shall be allowed to handle their business? A.—I think it is the function of a railway company to assist industries on its own line.

Q.—By refusing to do business, anyway, with a man who wants to do business in his own way, a man who has logging limits of his own, and as to whether he shall saw them or sell them, you think it is the function of a railway company to dictate as to how he shall handle those logs? A.—I do.

Q.—A subsidized road, subsidized as strong as this is? A.—I think it is in the interests of the country it should be done.

Q.—In the interests of the country? A.—Yes.

Mr. Davis: Is that principle any different from those adopted by other railway companies? A.—It is the same principle that has been developing for the last thirty-five years.

Mr. Taylor: Whereabouts? A.—Railways all over the continent.

Q.—Where were you before you came to this road? A.—I was with the Spokane, St. Paul & Oregon Railroad; and the Spokane International.

Q.—And were you ever with a Canadian road before you came to this road? A.—Beg pardon?

Q.—Were you ever with a Canadian railway company before you came to this road? A.—Not altogether a Canadian road. The Spokane International is a branch of the Canadian Pacific.

Q.—But you were on the American side? A.—Yes.

Q.—And on that side exclusively? A.—Yes.

The Chairman: Are your rates under the control of the Minister of Railways? A.—No; they are not, as I understand.

Q.—Once your line is completed, then the Minister of Railways will have control over the rates?

Mr. Maclean: Yes, under the agreement, he would have.

The Chairman: And in the meantime he has no control.

Mr. Taylor: Are you aware that this famous Schedule A, to the agreement of the 10th of February, 1912, which was the basis upon which this road was built, starts out with this magnificent poetical preamble: "Whereas the Government of the Province of British Columbia deems it in the public interests to aid in the construction of the line of railway hereinafter mentioned for the purpose of securing to the people of British Columbia reasonable passenger and freight rates, and to assist in the opening-up and development of the Province."

Mr. Maclean: Exactly.

Mr. Taylor: Do you think that you should come along, P. Welch operating the railway, and show how this Province should be developed; and whether a man should be able to ship his logs or not, or whether he must saw them up along your road, and ship it as lumber at a higher rate; do you think that corresponds with the preamble? A.—I think so.

Q.—And, of course, when you say other railways, you mean the other railways in your own experience—the American railways—and you think that our roads should be run the way the Yankees run their roads? A.—I am rather familiar with the Canadian roads, and I have not seen any difference in their policy to the other railroads.

Mr. Hanes: You made a rather serious statement; you state that you have the right to refuse freight? A.—No.

Q.—Do you know whether the Dominion Railway Commission will allow any railway to refuse freight—logs? A.—No.

Q.—I understand that is what you stated? A.—I didn't intend to make any such statement. I will not say now I am willing to make a rate on logs to tide-water; it will be too high to do business; that is, any rate that I would be willing to make.

Q.—You make that statement seriously, do you, that you have the right to refuse to do business; you mean that, do you; I mean, you are stating it seriously? A.—There is no profit in logging, you know.

Q.—You are making that statement seriously, are you, as manager of the operating department or the construction department, and you are making that statement, that you will give a rate that will be so high that they cannot bring them (logs) to tide-water? A.—If we get the logs on tide-water on our line, we will try to make a rate on them; but we do not wish to make rates on logs to go to Bellingham or Anacortes, or other points where the product is lost to this Province.

The Chairman: Do you include Vancouver with Bellingham? A.—If we allow shipments off our own line, of course we have no further control over them.

Mr. Hanes: You stated the mill would be at tide-water, or you could not handle lumber for the purpose of making revenue from it? A.—They are proposing to build mills at Squamish for the export trade.

Q.—You can make no further revenue from it if the logs go to Squamish, to a mill at tide-water; you get no further benefit from the freight after that? A.—No; a certain proportion of the production of that mill will find its market on the Prairies, and as soon as this road is connected with the G.T.P. we will get that haul.

The Chairman: After the road is completed? A.—After the road is completed.

Mr. Ross: And the longer this investigation lasts, the longer that will be.

Mr. Hanes: The stand you are taking is, on all logs coming out, you will practically dictate—— A.—I didn't say that.

Q.—Or you would make a prohibitive rate? A.—Except to mills at tide-water on our track.

Q.—Dealing with freight rates—— A.—Beg pardon?

Q.—Dealing with freight rates and express rates; as I understand, as general manager you have been charging freight rates or express rates, just as you wished to; is not that a fact? A.—Yes.

Q.—Take last December; isn't it a fact that you charged some citizens up there express rates, and then you gave them a rebate, and afterwards, when they made a kick, you rebated the difference between freight and express rates? A.—Yes.

Mr. Pooley: I think the case should be mentioned.

Mr. Hanes: It may come to that, because I have the case, as a matter of fact.

The Chairman: Go on; I think the question is proper; go on with your question, it is all right.

Mr. Hanes: I am asking him. Mr. Sperry, do you know—I will put it in that way, if you know, as general manager, if citizens up through the interior have been charged express rates for, say, meat and potatoes, and one or two of them, when they have come down to Vancouver and made a kick about it, have got a rebate, and have only been charged freight rate; do you know of any case like that? A.—I think I know of perhaps one or two cases. The 1st of November we——

Mr. Davis: What year?

Witness: 1916. The 1st of November we discontinued handling perishable freight, or freight subject to damage by frost, because we had no means of caring for it.

Mr. Davis: No heated cars?

Witness: No heated cars.

Mr. Hanes: Take meat, for instance.

Witness: Now, I know the case you refer to.

Mr. Hanes: Well—— A.—There was a shipment of dressed hogs made from Pemberton to Vancouver. The express messenger insisted that they were perishable freight, and——

Mr. Davis: Express.

Witness: Express; and were brought to Vancouver as freight, as express, and the shipper came down with them. He came to my office and contended that it was not properly express, subject to damage by frost, dressed hogs, and asked for a refund, and I authorized it. That is one case.

Mr. Hanes: Were the others paying the same charges on meat, that didn't get a refund? A.—Well——

Q.—About that time? A.—That I could not tell you.

Q.—Well, do you know now, as a fact? A.—No, I don't know; I do not handle all the details of those shipments.

Q.—Who would know that—Mr. Luedke? A.—Mr. Luedke. I don't know of any other case; the only way that we can know of any other case would be to search our records.

Mr. Shatford: That was the only case which was brought to your attention? A.—There might have been a sack of potatoes; I am not sure. It is the only one I have in mind now.

Mr. Hanes: You don't know of any other case where the rebates were given? A.—I don't know of any; after the claim, after the shipper had made the claim—in case of meat, fresh meat, which would not be damaged by frost, the refund would be made; other refunds may have been made, because I explained to our office-men that I considered the express messenger was in the wrong.

Q.—Well, I will ask you another question with regard to the freight rates; would you, as general manager, ask a citizen \$8, or \$1 a ton, for shipping a ton of potatoes eight miles; that is, if they asked you to ship a ton of potatoes, would you charge them \$1 a mile; would you charge them \$8; would you ask them that at all? A.—If that was the proper tariff.

Q.—I am asking you if, as general manager, whether you would or would not? A.—By freight or express; what shipment are you speaking of—freight or express?

Q.—Well, say by freight? A.—It would not be \$8 freight for eight miles.

Q.—Therefore they would not be asked to pay that much? A.—Not if it was accepted as a freight shipment; but if it was refused as a freight shipment, and the shipper authorizes forwarding it by express, \$8 a ton being the express rate, we would charge it.

Q.—Well, what would be the express rate for shipping a ton of potatoes eight miles? A.—I have not got those rates in my mind.

Q.—You are familiar with the rates, are you not? A.—Well, more or less familiar with them; but I presume it would be 40 cents a hundred, \$8 a ton.

Q.—I understood you to say that you did not have anything to do with the Equipment Company? A.—No.

Q.—But you did when it was organized? A.—I am not sure—I may have been—

Mr. Taylor: What price per ton did you give for that freight on potatoes? A.—Beg pardon?

Q.—What price per ton did you give, just now? A.—Express rate, I said it would be—I think the express rate per hundred is maybe 25 cents—or 35 cents—I don't remember for the distance.

Q.—I thought what you said was \$8 per ton for potatoes, freight; I may have misunderstood you.

Mr. Pooley: No; express, he said.

Mr. Hanes: Here is a copy of the article of incorporation of the Pacific Great Eastern Equipment Company. I notice Albert Hapgood Sperry, manager, one of the provisional directors. A.—I was provisional director, yes; and attended the first meeting, perhaps.

Mr. Taylor: Are you still a provisional director? A.—I have not resigned.

Mr. Maclean: It is a fully organized company now, isn't it? A.—I will have to correct my testimony; I believe I attended one meeting.

Mr. Taylor: I think Mr. Welch stated that they are the same directors now as they were in the original papers; I think Mr. Welch stated that.

Mr. Davis: Have you anything to do with the active management? A.—No.

Q.—Have you any financial interest in it? A.—None whatever. It was simply formal.

Mr. Taylor: That is Exhibit what? (Referring to document mentioned by Mr. Hanes.)

Mr. Pooley: Exhibit 34.

Mr. Hanes: Have you the schedule here of your passenger rates? A.—No, we didn't bring them over.

Mr. Davis: We were not asked for them.

Witness: We would be glad to get them for you.

Mr. Pooley: How do they compare with other lines, roughly? A.—They are less than car-load merchandise rates are, about, between here and Clinton.

Mr. Taylor: Between Squamish and Clinton, or Vancouver and Clinton? A.—About 20 per cent. higher than the C.P.R.

Q.—Vancouver and Clinton? A.—Vancouver and Clinton, yes.

Q.—Yes? A.—You see, we have to divide with the Terminal Navigation Company.

The Chairman: Are not they a good deal higher between intermediate points; take hogs, for example? A.—I could not say offhand; they are somewhat higher, because—

Q.—I mean, the proportion is a good deal higher? A.—I do not know that they are so much more; they are some more, on account of having to deal with the Terminal Navigation Company's proportion; and that is made up of a set rate of so much per hundred, regardless of the classification.

Mr. Ross: How do your car-load rates compare? A.—A little higher, but not very much; I recall one case, our rate on cattle to Vancouver was 28½ cents, and from Ashcroft it is 24 cents.

Mr. Davis: With the C.P.R.? A.—With the C.P.R.

The Chairman: If you put your rates on a par with other rates, in the interests of these people you are talking about, what would they be? A.—Well—

Mr. Hanes: Mr. Chairman, just a question there; if this line has the right to charge any more than any other line—we have shown two cases, one where they refused to take freight, and another where they charged express rates, and then made the rebate when there was a kick put up; but others have had to pay express rates, and it is quite a serious matter.

Mr. Pooley: That has been explained, and that when it was drawn to his attention he overruled it.

Mr. Hanes: There may be other cases.

Mr. Pooley: He says he doesn't know them; it is not the fault of the railway company at all.

Mr. Hanes: I might state that any manager of a railway company that refused to take freight, as I think, is committing a serious mistake.

Mr. Pooley: He explained how it was; and I think that any other railway company in the Province would do the same thing. They want to develop their own business on their own lines, or otherwise, and if you export your raw material it cannot be done.

Mr. Davis: This railway is not a common carrier yet, and those reasons do not apply at all.

Mr. Taylor: I understand from my friend that all other railroads did that thing; they have to take everything that is offered to them, and they charge for it according to that tariff, and they cannot refuse to take a single thing.

Mr. Davis: Under and subject to certain fixed rules.

Mr. Taylor: There is no railway authorized, according to the Dominion "Railway Act," to fix any charges unless passed by the Board of Railway Commissioners. It is not authorized until it is approved by the Railway Commission, and then every railroad has to charge according to the tariff; so that they cannot refuse to take a single thing if a man wants to ship it.

Mr. Davis: That is to say, according to rates subject to the approval of the Railway Board.

Mr. Hanes: Now, Mr. Sperry, as manager, how much do you say is the loss of the operating department of the line between White Cliff and North Vancouver; how much is it losing a month, or in six months, or what is it earning as a profit? A.—What it is losing, I cannot say; our books will show that.

Q.—About how much? A.—I could not tell you.

Q.—How many trains are you operating a day, how many cars; or, at least, how often? A.—Well, I would have to look it up after lunch; I cannot tell you now.

Q.—Are you not familiar with the number of cars leaving Vancouver for White Cliff, and the hours of the day? A.—Yes.

Q.—About what hours, now, do they leave; I am asking you as manager of the line? A.—Well, I cannot tell you from memory.

Q.—Is there an arrangement that you know of between the Railway Company and the operating department whereby the Railway Company will pay the loss of operating? A.—Yes; I believe there is, according to that agreement, I understand.

Q.—Have you, as manager, approved of that, or fixed on what shall be included in the maintenance charges? A.—The maintenance charges are made up according to the standard practice of the railways of the continent, in making maintenance charges.

Q.—I understood you to state just now that you are not able to tell us from memory how often those cars do run? A.—No.

Q.—Would there be a loss of anything like \$8,000 or \$10,000 in six months? A.—Yes, I suppose there would be.

Q.—Or would it be \$20,000? A.—Yes; the loss I should say would be \$20,000 a year or more.

Q.—How about the part between Squamish and Clinton? A.—That probably is not so much.

Q.—Is it not a fact that there are only about two cars operating between North Vancouver and White Cliff—two single cars, two trips a day? A.—At the present time, two trips each way.

Q.—So this loss which you speak of has to be made up of operating two cars, taking into account the revenue, and after taking into account the passengers, and it will be made up on the cost; that is, taking the two cars or two trips a day? A.—Well, there are more trips between the intermediate points, you understand.

Q.—Are you familiar with the agreements between your operating department and the West Vancouver Municipality? A.—Yes.

Q.—As to operating a certain number of cars? A.—Yes.

Q.—Do you consider you have lived up to that agreement? A.—Yes.

Mr. Hanes: That is all, Mr. Chairman.

Mr. Shatford: Will you let me see that statement again, Mr. Sperry? (Statement handed to Mr. Shatford.)

Q.—In connection with the operating expenses and this item of \$260,232.61, transportation expenses, what would that consist of principally? A.—It consisted of tram service, station employees, clerk hire, superintendents, superintendents' clerks in connection with the operation, and the necessary supplies furnished for the operations of the line, and so forth.

Mr. Taylor: Mr. Chairman, I have here now as Exhibit 197 the Squamish Wharf agreement, so called, dated the 1st day of March, 1916, between the Pacific Great Eastern Development Company, and the Pacific Great Eastern Railway Company, and P. Welch, railroad contractor. It provides, amongst other things, for the rental of the Squamish wharves owned by the Pacific Great Eastern Development Company, for each car-load of freight handled over, etc., \$2; and for other things, \$1; for each loaded freight-car handled over the line, \$1; each passenger routed

over the road, over the leased premises, 10 cents; and so on, giving the items, and that makes up the \$62,601 wharf earnings. This is Exhibit 196.

The Chairman: That is the Development Company.

Mr. Taylor: That is the Development Company. Then we have in Exhibit 64, Mr. Welch, in showing that he didn't make money, charges up the total investment in the Pacific Great Eastern Development Company to date, \$1,681,000; and some other items. And then in this Exhibit 196 we have \$62,061 charged up as a liability to the same Development Company. Then we have now Exhibit 197, the agreement under which that is worked out.

Mr. Davis: As a matter of fact, Mr. Sperry, has any money actually been paid to the Development Company at all? A.—Not that I know of.

Q.—It is all on paper? A.—It is all on paper.

Mr. Taylor: That is my point. The difficulty is it goes into this Exhibit 64, which was put in on a former session, with Mr. Welch's testimony, and the auditors have since investigated it, and it simply gives an explanation as to how that exhibit is made up. I file that as Exhibit 197. Exhibit 197 provides that the Company cannot use any other wharf or develop any wharf which is in competition with this one that has those high rates.

Mr. Hall: Mr. Tate, did any estimates go into the Government for construction of the wharf at Squamish; what was that pile-driving at Squamish? A.—That would be on railroad property.

Mr. Hall: Are there two wharves; possibly Mr. Callaghan can tell us—Mr. Callaghan?

Mr. Callaghan: No; the pile-driving that I remember didn't go on the estimates.

Mr. Taylor: Mr. Sperry, while Mr. Callaghan is getting that information—are you answering the question, Mr. Callaghan?

Mr. Hall: I was asking Mr. Callaghan about the charges for the wharf at Squamish; what has gone into that work?

Mr. Callaghan: There were the charges for clearing land. That has been abandoned.

Mr. Hall: How much was that; what was done at Squamish—pile-driving? A.—Pile-driving, on the main line at Squamish.

Q.—What approximately would be the cost of that wharf? A.—Oh, I think the whole works would be about 75 feet, or something like that, of pile trestles, about 15 or 16 feet above ground, part of it 20 feet.

Q.—What would that amount to approximately, the cost? A.—It should not be over \$1,200, something like that.

Q.—And have you any idea of the amount in respect of pile-driving on the line, on the railway-line at Squamish? A.—There is one crossing of the Cheakamus River, but, of course, I don't remember all that detail.

Q.—Well, only very approximately. A.—The crossing on the Cheakamus River, one branch of it, there were some strengthening bridges on the north line.

Q.—Those that you have referred to are the only charges for wharf-construction at Squamish that would be in the neighbourhood of \$1,200? A.—Yes, that is the only part; that would be in connection with the boat-landing.

Q.—And there are no other charges whatever to the Government with respect to this wharf at Squamish, the cost of construction? A.—No, I don't recall any.

Mr. Hanes: Are you referring to the Development Company's wharf?

Mr. Hall: I am talking now of the cost of the wharf at Squamish, that the Government paid him.

Mr. Callaghan: The estimates would be the place to get that information.

Mr. Taylor: Did you give Mr. Hall the value of the Squamish Wharf owned by the Development Company; what was it worth to build—about how much? A.—I don't know; I could not tell you; it is so long ago; it was quite a piece of work, over 3,000 feet of trestle approach to it.

Q.—You don't know how much that cost to build? A.—No.

Q.—I would like to ask you, are you an American citizen or a Canadian?

Mr. Sperry: An American citizen.

Mr. Taylor: Is Mr. White an American or Canadian? A.—I believe he is an American.

Q.—Is Mr. Wilson, the other director, an American or Canadian? A.—I believe he is an American.

(Mr. Tate was understood to correct witness.)

Witness: I may be corrected, then.

Mr. Taylor: Is he an American citizen—Mr. Wilson; is he an American citizen, naturalized?

A.—I believe not.

Mr. Hanes: What nationality is Mr. Luedke; is he an American or Canadian? A.—He is an American.

(Mr. Callaghan.)

Mr. Hall: Mr. Callaghan, referring to Exhibit 197, and to the blue-print attached to the agreement; that part coloured red is all the property of the Development Company? A.—Yes, so I understand.

Q.—And you say, I take it, that there has been no work done on that portion coloured red charged to the Government? A.—I don't think any of it has been charged in the construction. But I would say, take the estimates and see; there might be such a thing as that happen.

Q.—You might check it up before our next meeting, and give us a definite statement of it. A.—Yes.

Mr. Hanes: Mr. Callaghan, is it not a fact that along that wharf there is some mileage of railway-tracks belonging to the Development Company? A.—The track—I believe it belongs to the Railway Company; that is, the steel and fasteners.

Q.—That is what Mr. Hall was asking you, if some of that had not been paid for by the Government? A.—No; the pile-driving.

Q.—He was referring to steel—

Mr. Hall: I was asking the whole cost.

Witness: I think that the steel that was used on these tracks was paid for by the Railway Company.

The Chairman: What is the distance, in fact, of that branch?

Mr. Davis: Equitably owned by the Railway Company under an agreement.

Witness (referring to Chairman's question): It may be possibly altogether a mile and a quarter.

The Chairman: And this part that is coloured red was paid for by the subsidy from the Government at the rate of \$42,000 a mile? A.—No. As I understand, all the work that was done here as far as building the structure, and grade, doing any grading, that has been by the Development Company.

Mr. Taylor: In the 476.1 miles, whereabouts is it; doesn't that include this particular mileage? A.—The mileage of the whole line is started from here (indicating), but that is only for figuring the fares.

The Chairman: But the 476.1 miles is not only for figuring the fares, it is for figuring the bond issue? A.—No (referring to another question not heard by the stenographer); that comes from North Vancouver—they could not connect with this at all; that mileage comes into this line, a mile and a half here, or something like that.

Mr. Taylor: On that mileage that the Government has paid \$42,000 a mile, you are also paying rental to the Development Company for that very stuff, aren't you? A.—No, I don't think so. This is a spur from the main line.

Mr. Davis: That is not included in the 476.1 miles? A.—Oh, no. The 476.1 is from the Second Narrows, and adjoins this, way north, a mile and a half north of that.

Mr. Hall: In this portion marked red on Exhibit 197, you say that is not included in the 476 miles? A.—No.

Mr. Hanes: Did you say that the Government are not paying \$42,000 a mile on the Development Company's mileage? A.—No, I do not understand that.

Q.—How about the mileage from there through the yard; isn't there four or five miles belonging to the Development Company; isn't that included in this total mileage for which the Government is paying \$42,000 per mile? A.—The main line is the only mileage.

Q.—Well, I am asking you, from that point there, from the Squamish yards which is on the Development Company's property, isn't that included in the mileage that the Government is paying, or that you are being paid the subsidy on, just as the Chairman asked you? A.—They have paid an estimate on this Howe Sound Northern of seven and a half miles.

Mr. Davis: What he is asking is whether that is included in the 476 miles which has a subsidy? A.—Oh, no. The subsidy is figured on the through mileage from the Second Narrows to Fort George.

Q.—And it doesn't touch this part marked red on Exhibit 167? A.—No, it would not. This is an extension north from the red part where it is marked P.G.E.R.; that is the through mileage.

Mr. Pooley: Where does your mileage from North Vancouver meet with this line that is now constructed—what portion? A.—About here (indicating).

Mr. Davis: "Here" being what? A.—Somewhere in here (again indicating).

Mr. Pooley: How many miles from the end of the wharf, how far from the water? A.—About a mile and a half.

Mr. Hanes: Mr. Callaghan, I don't think you understood my question; I asked you if the Government paid the subsidy for the mileage on the Development Company mileage, from a mile and a half from that wharf there, through the Squamish yards? A.—No; the other part, as I understand it, belongs to the Railway Company, excepting the right-of-way has not been paid for; that is what you mean.

The Chairman: Does this part coloured red come in with the Development Company's property in respect of the \$800,000?

Mr. Taylor: \$850,000.

Witness: I presume that—I don't know as to that. I don't know as to the right-of-way.

Mr. Hall: Would it not be well to check up the various questions to get a definite answer to this?

Mr. Taylor: There was evidence before, that there was a part farther on which was bought for \$850,000, and which belongs to the Development Company until the note has been paid for \$850,000; and upon that area \$42,000 has been paid by the Government per mile; that is what Mr. Hanes was getting at.

Mr. Hanes: I would like to ask Mr. Callaghan a question, but will explain to the Committee first, that the Pacific Great Eastern Development Company not only owns that piece there, but also the grounds on which the yards are built; and there is a certain proportion of metals built out through the yard and back again on to the main line. Now, then, the Development Company owns that in title; but it is a fact that there is an agreement with the Railway Company, but there has been nothing paid on it—just a paper agreement.

The Chairman: That is the \$850,000 agreement.

Mr. Hanes: Yes; but the fact remains that the title is vested in the Development Company; and I would ask Mr. Callaghan if the Government has not paid the \$42,000 per mile on that mileage.

Witness: I think they would.

Mr. Pooley: Do you mean that the Government pays \$42,000 per mile on that line east of the bridge? A.—No; on this—just on the main line.

Mr. Pooley: But Mr. Hanes was talking about the yards, going through the yards.

Mr. Tate: That part of the main line is included in the Development Company's property.

Mr. Hanes: I was asking Mr. Callaghan as engineer if he would say whether that subsidy was paid on the mileage going to the Squamish yards, which belong to the Development Company? A.—Oh, yes, certainly.

Mr. Pooley: That is the main line only? A.—Oh, yes; through the main line, through the yards, not any of these spur tracks.

Mr. Hanes: And it is also a fact that the Railway Company have paid for the improvements on the Development Company's property; that is a fact, isn't it? A.—I don't understand quite.

Q.—It is a fact, isn't it, that the Railway Company paid for the yards and the tracks and the buildings on the Development Company's property? A.—They have paid for part of them.

Mr. Taylor: They have paid for all the improvements? A.—Yes.

Q.—And that has been charged up to the Government and paid by the Government? A.—Yes.

Q.—And in addition the Government has paid the main line bounty of \$42,000, or the guarantee of \$42,000 per mile? A.—They have done the same thing on other parts of the railway.

Mr. Maclean: The Government has paid nothing of that \$42,000.

Mr. Taylor: The Government are liable on the guarantee for \$42,000.

Mr. Tate: There is the other portion of the Squamish right-of-way not fully paid for. (Mr. Callaghan explained plans in detail to Mr. Hall.)

The Chairman: And on that part of the main line the only right the Company has to-day is, under that agreement, to pay \$850,000.

Mr. Taylor: Exactly; and in addition, Mr. Chairman, the yards are on that stuff, that they paid that amount of money for by the Government. Then this guaranteed fund is in addition. The station-house, and that sort of thing, are on that portion.

The Chairman: Where is the station?

(Witness indicates position.)

Mr. Maclean: They have spent some of that \$42,000 in improvements.

Mr. Taylor: It is all liable to go back to the Development Company.

Witness (referring to the plan): This is just a shelter here (indicating).

Mr. Hall: On this lower portion here, has there been construction? A.—No; there is no construction beyond this point, in that direction.

Mr. Pooley: There is no construction beyond the west side of the terminals, on the west shore. A.—That is the east side.

Q.—The east side of the wharf? A.—The east side of the wharf.

Mr. Hall: What is the distance from Squamish north on which the guarantees have been issued?

The Chairman: Those guarantees have been issued on the whole road.

Mr. Hall: I am referring now from here (indicating).

Witness: Oh, I could not tell from that; but it is approximately forty-two miles from the Second Narrows to this point.

Mr. Pooley: Which point is that? A.—That is the intersection of the Howe Sound Northern track; the Second Narrows would be practically forty-two miles from there.

Mr. Hanes: The other track is abandoned, isn't it? A.—No, it is not used now; but I don't know that it has been abandoned.

Q.—The subsidy was paid on that too? A.—It was paid by an estimate, on the estimate of \$190,000.

Mr. Davis: The subsidy is one thing and the estimate another.

Witness: It is in the 476 miles.

Mr. Hanes: And it was paid for out of the money raised under the subsidy? A.—Yes, I suppose so.

(Witness Callaghan stands aside.)

Mr. Taylor: I would like to call another witness this morning from the Forestry Department; a short witness, and we can get through before 1 o'clock.

S. W. BARCLAY, called and duly sworn, testifies as follows (examined by Mr. Taylor):—

Mr. Taylor: You are connected with the Forestry Department? A.—Yes.

Q.—Of the Government? A.—Yes.

Q.—In what capacity? A.—Assistant Inspector of the Forest Branch.

Q.—What is the indebtedness of the construction department of the Pacific Great Eastern Railway to the Government for unpaid stumpage dues? A.—There is a legal dispute about that, which we are bringing up right now. Have you a copy of the statement?

Q.—If you stand there, you can explain it, and give your evidence. A.—Yes.

Q.—That is what you want? A.—(Referring to statement) \$5,897.97.

Mr. Pooley: What does that represent? A.—That is for royalty on logs cut on alienated lands by these sub-contractors.

Q.—On the right-of-way? A.—Not necessarily on the right-of-way; it might be a timber licence or a lease; or it may be part of the right-of-way that has been alienated.

Q.—On the right-of-way of the Railway Company; that is the idea? A.—Yes—no, it may be part of the right-of-way, or it may be bridge-timbers cut from the timber licences; there may be parts not on the right-of-way.

Mr. Maclean: The Government agreed to give us the right-of-way, and that would include the timber as well.

Mr. Hall: The land had been previously alienated.

Mr. Taylor: Paragraph 13, subparagraph (c), of Schedule 1, chapter 34, 1912. This is all that the Government has given free: "To license the Company free of charge to take from any vacant Crown lands of the Province of British Columbia, with the approval of the Minister of

Lands, all standing timber, gravel, and other material." Now, it says vacant Crown lands; this was on lands which are not vacant Crown lands; that is right? A.—Yes.

Q.—That is not right-of-way? A.—Those would be timber leases, pre-emptions, Crown lands, alienated lands.

Q.—Exactly. What do you say is the indebtedness of the construction of that road to date? You say something about \$20,000; what do you mean by that? A.—That is patrol due by the Railway Company, over \$1,235; and there is the fire-fighting contribution, \$2,462; there is a total due from the Railway Company in respect of fire-fighting expenditures of \$14,361.71.

Q.—Plus the \$5,897 you mentioned? A.—Plus the \$5,897.

Q.—That was for stumpage; what is the total—just add that up? A.—About \$20,162.68.

Q.—How long has that been outstanding? A.—That has been outstanding since about 1914.

Q.—What is this legal dispute that my friend Mr. Tate has referred to?

Mr. Tate: It is shown in a letter.

Mr. Taylor: We had better file this letter. I file now as Exhibit 198 a letter of P. Welch to Mr. Barclay. S. W. Barclay, of the Department, November 23rd, 1916:—

"Re statement of account rendered by Forest Branch, \$4,074.54. Mr. S. W. Barclay, Acting-Assistant, Forest Branch, Victoria, B.C.

"DEAR SIR,—Replying to your letter of November 13th, your file 16055f, with which you enclosed statement of account showing an amount of \$4,074.54, royalty due to your Department. This, as you know, is a question that has been raised many times with the Railway Company by your Department, and the Railway Company maintain the same stand now as formerly—namely, that the Company and its directors are exempt from royalty charges under the provisions of paragraph 13 (c) in their agreement with the Government. We suggest, therefore, that if you desire to take this matter up further, you place yourselves in communication with Mr. D'Arcy Tate, K.C., Vice-President, Pacific Great Eastern Railway Company, Victoria.—Very truly yours, P. WELCH, per (signed) E. F. WHITE."

December 12th, 1916, the Assistant Forester—

Mr. Maclean: That will be Exhibit—

Mr. Taylor: Exhibit 199, 12th December, 1916. Acting Assistant Forester to Mr. Tate.

"Enclosed herewith please find copies of letters received from P. Welch with reference to the amounts of royalty, \$4,074.54 and \$883.29, charged against P. Welch and Byrnes & Jordan. There are also other amounts of royalty in dispute charged against various sub-contractors, and it appears that they are not cognizant of the arrangement made by yourself with regard to royalties charged against the P.G.E.R. for timber cut on alienated lands. Payment in accordance with this arrangement for \$7,418.66 was made as per your letter, June 10th, 1914. It would be much appreciated if you would notify Mr. P. Welch that payment of all royalty charged against the P.G.E.R. has been made, and that royalty is payable by the P.G.E.R. or their directors upon all timber cut on alienated lands.—Yours truly, S. W. B., Acting Assistant Forester."

"S. W. Barclay, Esq., Acting Assistant Forester, Forest Branch, Victoria, B.C.

"DEAR SIR,—Replying to your favour of the 12th inst. regarding royalties for timber to be charged against the P.G.E.R. Co., I would quote from my letter of 10th June, 1914, as follows: 'The Company acquiesces in the Government's decision in regard to payment of Crown dues claim, but while making the payment of \$7,418.66 claim in this connection, does so under protest, and submits that the Government's claim in this respect is an infraction of clause 13 (c) of the above agreement. Cheque for \$7,418.66 enclosed herewith. It is therefore understood that, in making the last three payments, the Company does so without prejudice, and under protest, and its action in this respect is not to be construed in any way as a waiver of the rights to which the Company and its shareholders are entitled under clause 13 (a); 13 (b), and 13 (c) of the agreement of the 10th of February, 1912. In the circumstances, I think the matter had better be referred to the Attorney-General, and I will be pleased to make an appointment with you at any time convenient for that purpose.'—Yours truly."

Q.—This balance of \$20,162.68 is exclusive, I understand, of this \$7,418.66 already paid? A.—Yes; that is right.

Q.—In addition to the \$7,418.66? A.—The \$7,000 was paid, Mr. Tate, about 1914.

(Mr. Tate was understood to refer to another letter to the Hon. Pattullo.)

Mr. Taylor: Mr. Tate says that there is another letter to Mr. Pattullo summarizing the account; we will ask for it and get that letter; will you get it? A.—Yes.

Q.—While upon that subject, Mr. Bowser, I understand, as Attorney-General, made a ruling in respect of the G.T.P. on the 7th of January, 1915; and this is the ruling, isn't it? A.—Yes, that is the ruling with regard to the G.T.P.

Q.—That is the ruling with regard to the G.T.P.? A.—Yes.

Q.—I do not wish to file this letter, but it is out of a file in connection with the P.G.E.R., with the consent of the Chairman; I will simply read it into the notes:—

"7th day of January, 1915. Memo. for the Hon. Minister of Mines.

"I beg to acknowledge receipt of your communication of the 3rd of December in reference to the claim of the G.T.P. Railway Company to be allowed to take timber after arrangement with the timber licensees from along their right-of-way without paying for stumpage due the Government on account of said timber. I have given this matter a great deal of consideration, and know personally what the intention of the contract was, as it was drawn up in this Department. In reading sections 9 and 10 of the agreement between the Company and ourselves, which is found in chapter 19 of the Statutes of 1908, I can come to no other conclusion, that if the Company has run through its timber leases, and arranged with the licensees to purchase the land, it must in any case pay a stumpage to your Department.—W. J. BOWSER, Attorney-General."

Mr. Davis: That clause is different, I understand.

Mr. Taylor: That can be easily looked up. Chapter 19 of the Statutes of 1908.

Mr. Pooley: It is not fair to put an opinion on the files, when the facts on which it is based are not also there.

Mr. Taylor: I will read the request of the Minister of Lands for that advice:—

"December 3rd, 1914. The Minister of Lands asks from the Hon. Attorney-General the following: December 3rd, 1914. Memo. to the Hon. the Attorney-General. G.T.P. Railway and timber. As you will see from copies of letters attached herewith, a protest is made by the Company concerning the interpretation placed by this Department upon clauses 8 and 10 of its agreement with the Province and the agreement made with other railway companies; timber expressly stated to be cut from vacant Crown lands. The word 'vacant' is not used in the clauses of the G.T.P. agreement, to which I have referred; and it is upon this fact that the Company is now basing its claim to receive different treatment, as far as the timber is concerned, from that accorded to other railways by the Province. The claim, in fact, is that the omission of the word 'vacant' exempts the Company from paying royalty on any timber cut from land other than timber licences, pre-emption records, etc. I am enclosing a copy of your ruling of September 2nd, 1913, and would be glad of your opinion upon the technicalities raised by the Company.—Signed by the Minister of Lands."

In this Pacific Great Eastern agreement the word "vacant" is included, because it reads, chapter 34 of 1912: "To license the Company free of charge to take from any vacant Crown lands of the Province of British Columbia, on the approval of the Minister of Lands, all standing timber."

The Chairman: That is a stronger case.

Mr. Taylor: That is a stronger case against the P.G.E.R.

Mr. Davis: We cannot tell without the other section.

Mr. Tate: My letter to Mr. Pattullo sets out our grounds.

Mr. Maclean: A copy of that is filed, I suppose.

Mr. Tate: The Government were to give us everything vested in the Crown, under the section; the whole spirit was not to make any claim to the Company for anything vested in the Crown. There was no use in the Government giving us a guaranty with one hand and taking it away with the other.

Mr. Hall: Mr. Chairman, I have received pages 847 to 1144 of the stenographic report of the proceedings, and I move that it be submitted to the Legislature as a further report of this Committee, and that we recommend the same be printed.

Mr. Shatford drew attention to an error which appeared on page 1117 of the record; the word "million" appearing there, when the correct word was "mile."

Mr. Pooley also drew attention to some error in the record of the testimony of Mr. Fraser.

Mr. Taylor explained that obvious errors were corrected before the record was placed in the printer's hands.

The Chairman: Adjourned to 8.30 p.m. this evening.

TWENTY-SECOND SESSION.

WEDNESDAY, April 11th, 1917.

The Committee of Inquiry herein met pursuant to adjournment at 8.30 p.m.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, L. W. Shatford, H. S. Hanes, J. M. Yorston, W. R. Ross, and R. H. Pooley; S. S. Taylor, K.C., appearing as counsel for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway Company; Messrs. E. P. Davis, K.C., and J. N. Ellis, appearing as counsel for Messrs. Foley, Welch & Stewart.

The minutes of the previous meeting were read by the Secretary and duly approved.

Mr. Taylor: Before calling the witness, Mr. Chairman, there are some exhibits which Mr. Tate desires put in. The first is a letter to Mr. T. D. Pattullo which he has produced. It is a long letter. Do you wish it read, Mr. Tate?

Mr. Tate: Yes; it would be better to give a general outline of it.

Mr. Maclean: Yes; you had better read it if there is any use in putting it in.

Mr. Taylor: Very well. It is dated January 19th, 1917, and is from Mr. Tate to the Hon. T. D. Pattullo, Minister of Lands, Victoria, B.C., and reads as follows:—

"DEAR SIR,—In the agreement entered into between the Government and the Railway Company (represented in the first instance by the firm of Foley, Welch & Stewart) dated 10th February, 1912, the Government agreed to allow the Company to take from the Crown lands of the Province all standing timber, gravel, and other material necessary for construction purposes. This privilege is found in clause 13 (c) of the said agreement, and reads as follows:—

"To license the Company free of charge to take from any vacant Crown lands of the Province of British Columbia, with the approval of the Minister of Lands, all standing timber, gravel, and other material which may be necessary for the construction of the line of railway aforesaid, and will also permit the Company to make fills in and upon any vacant Crown lands of the Province of British Columbia."

"The Department have heretofore in construing this clause of the agreement adopted what I submit is an erroneous interpretation thereof.

"The primary and fundamental rule in the interpretation of contracts is to endeavour to arrive at the intention of the parties. Looking at the clause in question, the evident intention of the Government was to allow the Company to use free of charge in the construction of its railway certain specified material belonging to the Crown. The Company by its contract has entered into onerous obligations with the Government, and part of the consideration for its so doing was the grant of such material by the latter for construction purposes.

"The Department, on the other hand, have seen fit to adopt a narrow technical construction which it is submitted ignores entirely the intention of the parties. That intention as stated is to make a grant of Crown material for railway-construction purposes. The Department, however, have called attention to the word 'vacant,' and by claiming that this word must be taken in its literal sense, hold that the Company is not entitled to use standing timber on pre-empted lands without payment of Crown dues thereon.

"This construction, it is submitted, violates the true spirit of the agreement. By the clause in question, the Government intended to allow the Company to use standing timber on Crown lands, so far as the same was not under lease or licence, free from the payment of Crown dues. What reason would there be for holding that the Company were entitled to use standing timber without payment of dues on lands not pre-empted, but to exact payment of dues in respect of standing timber on lands under pre-emption? In each case the dues are payable to the Crown, and there is no valid ground of distinction between Crown dues payable in respect of timber on lands pre-empted and those on timber on lands not yet pre-empted. What reason could be suggested for withholding exemption from these dues in one case and not in the other?

"The intention was to make to the Company a free grant of construction material so far as the same was vested in the Crown, and any attempt to abridge this grant by a forced or strained construction of the language of the clause in the agreement is inequitable and is in derogation of the Company's rights under the agreement. It is submitted that no one who considered the obvious intention and object of the clause in question could come to any different conclusion. Furthermore, even on technical grounds, it is not so certain that the departmental construction could be upheld. 'standing timber' is a part of the land. The pre-emptor takes

no title to such timber except so much as may be required for his own use as permitted by the Act; and where standing timber on pre-empted lands is not under lease and licence, that part of the 'land' represented by such 'standing timber' is 'vacant' Crown land. Therefore, even on a strict interpretation of the agreement, the Company would be entitled to treat standing timber as 'vacant Crown lands' within the meaning of clause (c). The evident intention of both clauses is to benefit the Railway Company by a grant of free land and material, so far as the same might be vested in the Crown, to aid the Company in constructing and completing its railway.

"Looking at the agreement as a whole, the undertaking of building this north and south line of railway was for the mutual benefit of the Province representing the general public and of the Railway Company. The Government recognized that the undertaking was a work of great magnitude, involving heavy outlay, and came forward to assist the Company in completing the work by consenting to guarantee the Company's bonds for the purpose of enabling it to raise funds for construction purposes, by granting free lands for townsites, by agreeing to assist in the payment of interest on bonds in certain eventualities, by making a free grant of lands for the railway, and of construction material, as above mentioned, and by otherwise co-operating with the Company. It is easy, therefore, to arrive at the intention of the parties from a general consideration of the objects of the agreement, the Government's proposed action being designed and calculated to further the undertaking and ensure its completion, and any attempt to withdraw from the grant to be given the Company property which is vested in the Crown, and which manifestly comes within the purview of the agreement, cannot be supported if the main spirit and intention of the instrument is to be adhered to.

"While supervening conditions precipitated by the war may not be invoked as an assistance in construing this agreement, still it is permissible to refer to such conditions in submitting that a reasonable and liberal interpretation should be adopted, and one that will best effectuate the intention of the parties and secure to each its reciprocal rights under the agreement. The Company is not asking for any concession not warranted by its agreement with the Government, but it asks to be confirmed in the rights to which it is entitled thereunder.

"In June, 1914, the Company made a payment to the Government of \$7,418.66 in respect of Crown dues on standing timber taken from pre-empted lands. This payment, however, was made under special circumstances and formed part of an arrangement between the Government and the Company for the acquisition of certain Indian reserve and foreshore lands at Squamish. The Hon. W. R. Ross, then Minister of Lands, stipulating that before a grant or quit-claim of such Indian reserve and foreshore lands should issue to the Company, the latter must pay to the Department the arrears of Crown dues on timber which had been in dispute up to that time. The Company accordingly had no alternative but to comply. In making the payment, however, the Company did so under protest, as evidenced by letter to the Hon. W. R. Ross, dated 10th June, 1914, from which I beg to quote as follows."

I read that this morning. Following that quotation it goes on:—

"I will be pleased if you can see your way to adopt the construction of the agreement respecting free grant of timber on Crown lands as contended for by the Company, or if you are not convinced of the Company's right to be relieved of payment of the Crown dues claimed by the Department, I will be pleased if you will accord me the privilege of addressing either yourself or the Executive on the subject at whatever time you may appoint.—Yours truly, D'Arcy TATE, Vice-President."

That will be Exhibit No. 201, and I will file the answer of the Hon. Minister of Lands as Exhibit 202. It is from the Hon. Mr. Pattullo to Mr. D'Arcy Tate, Vice-President, etc.:—

"DEAR SIR,—I have looked into the matter of your complaint as submitted in letter under date of January 19th, and in reply thereto I beg to advise you that I do not consider your contention correct; and in consequence the action taken by the Forest Branch is upheld by me.—Faithfully yours."

And I file as Exhibit 203 the ruling of the Hon. W. J. Bowser, Attorney-General.

Mr. Maclean: We had it this morning?

Mr. Taylor: No; that was the Grand Trunk Pacific one; but this is the one for the Pacific Great Eastern Railway Company—this very subject. It is dated September 2nd, 1913, and is signed by the Hon. W. J. Bowser. It is a memo. for the Hon. the Minister of Lands. It reads as follows:—

"I beg to acknowledge receipt of your letter of the 20th ult., as well as your communication of July 25th, on the question of the royalty due on timber used by railways for construction purposes.

"While the agreement with the Grand Trunk Pacific and that with the Pacific Great Eastern provide for free right-of-way through vacant Crown lands, and therefore no royalty being charged on timber cut on such right-of-way if the timber is used for construction purposes, at the same time I do not see that the legislation goes to the length of relieving these companies from payment of royalty on any timber cut by them on their right-of-way, which right-of-way happens to run through Crown-granted land or timber licences. I think in these two latter cases that the royalty should be paid by the Company for the timber cut by them.—W. J. BOWSER, Attorney-General."

That is Exhibit 203. I will file another letter that is pertinent to the inquiry to-night, written by Mr. Gamble, Chief Engineer, on the 2nd of December, 1912, to the Hon. Sir Richard McBride, K.C.M.G., Prime Minister, Victoria, B.C. This will be Exhibit 204. It reads as follows:—

"SIR,—The Pacific Great Eastern Railway Company, through Mr. D'Arcy Taté, Vice-President, has submitted an estimate amounting to \$218,822.12 for 7.6 miles of the constructed portion of the Howe Sound & Northern Railway, purchased by the Company which he represents.

"He asks that this sum be released under subsection (d), section 9, and section 15 of chapter 34, 1912. This latter section provides that purchase mileage shall be computed as constructed mileage.

"In submitting this estimate the Pacific Great Eastern Railway Company have applied Mr. Welch's contract prices for the construction of that railway. I am informed by Mr. Tate that at the time arrangements were made for the purpose of the Howe Sound & Northern Railway it was understood that Mr. Welch's prices should apply, and refers me to you for corroboration thereof.

"As these prices are very much in excess of those for similar work generally prevailing on the Coast, I will be glad if you will be good enough to instruct me as to my proper course in this matter.—Yours obediently, Chief Engineer."

I think this is a pertinent to the inquiry to-night—particularly the last paragraph, which reads: "As these prices are very much in excess of those for similar work generally prevailing on the Coast, I will be glad if you will be good enough to instruct me as to my proper course in this matter." Mr. Tate has produced also as Exhibit 205 agreement made the 7th day of November, 1912, between the Pacific Great Eastern Development Company, Limited, and Foley, Welch & Stewart, which is particularly in reference to the townsite at Newport.

Mr. Maclean: Is that the one assigning to the Company the agreement that Foley, Welch & Stewart had with the Government?

Mr. Taylor: No; that is another one; it is already filed. This is Exhibit 205. This shows the reason why the 4,292 shares were fully paid up. That is the idea of it. The consideration was 525 lots in the townsite.

Mr. Tate: 535.

Mr. Taylor: Yes. I see it is corrected in pencil to 535 lots and about 3,000 feet of waterfront; and the schedule attached shows the lots that the Pacific Great Eastern Railway got for their fully paid-up shares. I will file as Exhibit 203 the statement handed to me by a representative of Mr. P. Welch. I don't know the gentleman's name.

Mr. Tate: I sent that up.

The Chairman: Is that the statement I have been waiting for?

Mr. Taylor: Yes; that is the statement you are waiting for.

Mr. Hall: What is the date of Exhibit 205?

Mr. Taylor: 7th November, 1912. The letter you want is the 2nd December, 1912.

Mr. Maclean: That is No. 204.

Mr. Taylor: Now, I suppose Mr. White is the best man to call on this.

Mr. Tate: Yes, he prepared this.

Mr. Taylor: Mr. White is a little hard of hearing, and he will sit down near me. We will have two witnesses at the same time.

Mr. Davis: Well, will you swear the other gentleman, too, now?

Mr. Taylor: Yes.

E. C. KAUFMAN, witness, sworn.

Mr. Taylor: Now, the best thing is not to have you both talk at once.

E. F. WHITE, witness, sworn.

Mr. Taylor: Mr. White, what are your initials? A.—E. F. White.

Q.—Your full name? A.—Edward F.

Mr. Taylor: This statement will be Exhibit 206.

The Chairman: Is there only one copy of that statement?

Mr. Tate: Three altogether, just.

Mr. Taylor: Mr. White and I can use this one.

Mr. White (witness): This is the only copy that we have left.

Mr. Taylor: Well, they can use it in the meantime. Now, I am going to take the liberty of numbering this—paging these sheets that we have bound together. You should pin those sheets all together.

Mr. Hall: How would it be for us to number these the same as yours?

Mr. Taylor: Yes; if you send that up here, I will do it for you.

Q.—Mr. White, are you prepared to swear that Exhibit 206 is correct from pages 1 to 10 thereof? A.—Well, I have not examined the details of that.

Q.—Speak out loudly so that everybody can hear you? A.—Well, I have not examined the details of the statement. Mr. Kaufman gathered that from the various books.

Q.—To what extent are you prepared to swear that this statement is correct, Mr. White? A.—Well, to the extent I have confidence in Mr. Kaufman, and he had the original records, and the statement can be backed up by the original records.

Q.—Personally, are you able to swear that that statement is correct? A.—Well, I would not like to, because I did not get it up, Mr. Taylor.

Q.—All right. Have you checked it over to ascertain whether it is correct or not? A.—No, I have not. It was just finished to-day.

(E. C. Kaufman.)

Mr. Taylor: Now, Mr. Kaufman, are you able to swear that this is a correct statement? A.—Yes, sir.

Q.—From what data are you able to swear that it is correct? A.—This is taken from the books.

Q.—Speak up so that everybody can hear you? A.—This is taken from the books of record of the entire Pacific Great Eastern contents.

Q.—Now, I want you to speak to the Chairman, and not to me, although I ask the question, and then everybody can hear you. Just direct your mind to the Chairman. Did you have anything to do with the keeping of the books? A.—On certain sections. Of course, it would be impossible for me to keep all the books on the entire work.

Q.—Then you say that, so far as the books are concerned, if they are correctly kept, you have then fully, accurately, and honestly taken off this as being a correct statement, and correctly representing those books? A.—I have.

Q.—And the results here, you know if the books are correct—those results are correct? A.—Yes.

Mr. Maclean: And the vouchers.

Mr. Taylor: Yes; the books and vouchers. When I said the "books," I meant the books and vouchers, did you understand? A.—Yes, I understood.

Q.—Now, those books and vouchers are all here, are they? A.—Yes, those books are all here in Victoria.

Q.—Did you bring any vouchers over here the last day of the inquiry? A.—Yes, the vouchers are here.

Q.—Then I ask you to have the books and vouchers examined; they are all in the Parliament Buildings, are they, in that room there? A.—Yes.

Q.—I will ask you to have them all filed as Exhibit 207—all the books and vouchers, so that they will be open to the examination of the Committee.

The Secretary: Who will I say filed those?

Mr. Taylor: Mr. Welch.

The Chairman: But you don't want those in this room now?

Mr. Taylor: Oh, no; because there are about three wagon-loads of them.

Mr. Davis: We want those kept under lock and key, because they are very important documents to us; and we want every care taken of them, so that there is no danger of their being lost, because we could not replace them.

The Chairman: But where they are kept now, are they satisfactory?

Mr. Davis: Yes. But we have to have somebody watching them all the time.

Mr. Tate: We want to get the key from Mr. Bullock so that we can get in at any time.

Mr. Bullock: Well, I cannot give up the key; when they are put in my possession, when I give up the key, what surveillance have I got over them? I must keep the key.

Mr. Taylor: I think this would help the matter out. I would suggest that Mr. Bullock should not allow them to be examined by any member of the Committee except in the presence of a representative of Mr. Tate.

Mr. Davis: But supposing if one of those books is lost, Mr. Welch has no record.

Mr. Maclean: Well, I think the idea of Mr. Taylor's is very proper. Any examination that is made of them will only be made in the presence of a representative of Mr. Welch by a member of the Committee.

The Chairman: And no one else is to go in there.

Mr. Bullock: I have that arrangement with Mr. Welch's man all the time.

The Chairman: And the only one you are to allow to go in there is a member of the Committee with a representative of Mr. Welch.

Mr. Taylor: Or the auditors.

The Chairman: Of course, or the auditors.

Mr. Taylor: I see the first two items of page 1 of this Exhibit, which is the Profit and Loss Account, dated February 28th, 1917, is apparently made up to that date? A.—To February 28th, yes.

Q.—I see the first two items show a profit over the cost of the work to P. Welch of \$5,817,896.77; is that correct? A.—That is correct.

Q.—The total amount of estimates that he received was \$16,475,630.42, and the work cost him \$11,357,733.65, making a difference of \$5,117,896.77; and that is correct, you say? A.—That is correct, as to the direct cost of the work.

(E. F. White.)

Mr. Taylor: That leads me to ask you two questions, Mr. White. In the first place, does that \$16,475,630.42 cover every cent that P. Welch has received from the Government of British Columbia? A.—That covers the work itself—the actual grading—but not the extra bills; they were handed in separately.

Mr. Davis: He has not heard the question, apparently.

Mr. Taylor: Mr. Davis suggests you have not heard my question, Mr. White. That first item, "Total amount of estimates, \$16,475,630.42"; is that the gross amount of money that P. Welch has received from the Government of British Columbia through the Pacific Great Eastern Railway? A.—No. That is for the grading only. The bills for the steel and the extra bills went through the other accounts.

Q.—What other accounts? A.—Well, they were credited to the bills for extra work—they were credited to the sub-contractors.

Mr. Davis: He does not understand you.

Mr. Taylor: Your counsel thinks that you have misunderstood my question. A.—No, I have not.

Q.—Well, I would prefer to take you for it. A.—We were paid for steel—for the track—a certain amount of money, and we were paid for extra work that the sub-contractors did; and those amounts were credited direct to the respective accounts, and this item, the \$16,000,000-odd, is what I termed the "grading" only—grading and bridging; not counting extra work. The extra work shows on the last sheet of the estimates—"extra bills and track materials."

Q.—Why aren't those items, "extra bills and track materials," put in this Profit and Loss Account covering up to February 28th, 1917? A.—Well, the extra bills went direct to the sub-contractors; and there was really no contract made outside of the ordinary percentage. This is what I term the "grading" account.

Q.—I thought we would get it clearer. That may be very correct from your standpoint. I am not saying anything about that just now; but I thought the statement would show the gross amount of money that P. Welch had received on account of the construction of this

railway, and then you would show the gross cost; no matter whether it was for rails, or force account, or what not. I cannot see any difference in coming down to the gross amount. A.—Well, that is the method by which we kept the account. The accounts were opened in the ledger for track material.

Q.—Track material—how much would that be that P. Welch received for that?

(E. C. Kaufman.)

A.—I have not the total that P. Welch received. I cannot produce that just now.

Q.—Now, don't talk among yourselves. What is the reason you cannot produce that just now? A.—I could produce it if I had a few minutes to look it up.

Q.—I will ask you this question, Mr. Kaufman: Do you corroborate what Mr. White has said about that \$16,475,630.42, called the "total amount of estimates"? A.—Yes, sir.

Q.—Then you did get estimates in excess of that, through the estimates? A.—Yes.

Q.—How much in excess of that, through the estimates, did you receive? A.—Well, that is something else that I would have to look up the exact figures for.

Q.—That is unfortunate. Now, why do you, Mr. Kaufman, leave out the balance—the difference between the \$16,475,630.42 and the actual amount of the estimates that you received? Why did you leave that out? A.—My explanation would be similar to Mr. White's, that the credits received were passed through different accounts. They were all credited to different accounts, and they show up in that statement.

Q.—Show up in what statement? A.—The balances—they show up in this statement before you.

Q.—The balances show up here? A.—The balances show up there; but to verify all the details it would be necessary to go into that—

Q.—Will you get the amount of that expenditure?

Mr. Tate: Just excuse me, Mr. Taylor; I think he is mixing these 1 to 6 items under the "Loan Act." I think that is what he means by extra bills—what he got under the "Loan Act."

Mr. Taylor: Your counsel still thinks you are in error.

Mr. Maclean: Well, haven't we got in here how much the Government has advanced? Isn't that all in?

Mr. Taylor: No; we don't know how much Mr. Welch got. We know how much the Government advanced to the Pacific Great Eastern Railway.

The Chairman: That was \$18,000,000, wasn't it?

Mr. Taylor: That was to the Pacific Great Eastern, and that would include (Mr. Tate gave evidence about that before) certain office expenses.

Mr. Tate: And right-of-way.

Mr. Taylor: And right-of-way. And that would have nothing to do with P. Welch; but we have a statement here some place which shows what P. Welch got. Just give me that last exhibit.

The Chairman: Exhibit 64 shows it, doesn't it?

Mr. Taylor: It was the exhibit that Mr.—what do you call him—filed; Mr. Thomas filed a tabulated sheet showing the gross amount of money paid. Mr. Thomas filed it, and it would show the whole amount paid P. Welch. Now, if you two gentlemen will just listen to me a moment while they are finding these. Your counsel still thinks that this \$16,475,630.42 is the full amount that the Pacific Great Eastern Railway has paid P. Welch for everything?

(E. F. White.)

A.—Yes.

Q.—Is that true or not? A.—Well, we can check that up for you just now, Mr. Taylor; these are the pay-sheets.

Q.—Will you check it up and let us know?

The Chairman: Will you just talk out a little, Mr. White?

Mr. Taylor: Always talk to the Chairman.

Witness: Mr. Kaufman, will you just please note these amounts?

Mr. Taylor: Just do this between yourselves, and let me know the result.

Mr. Davis: Mr. Chairman, as I understand it, all these books will have to be examined in that room?

The Chairman: Yes; they won't be taken away.

Mr. Taylor: These gentlemen are ready now.

Q.—Now, Mr. White, what do you say? A.—The total amount received by Mr. Welch from the Pacific Great Eastern Railway is \$18,314,825.44. The difference between this amount and what we show on our statement covers track materials and extra bills—that is extra work done by the different sub-contractors. These items were credited direct through the ledger; as when we received pay from the Pacific Great Eastern Railway, the sums covering the extra bills and the track material were credited direct to the respective accounts in the ledger, thereby keeping intact the amounts we were receiving for straight grading, as we call it—track-laying, bridging, and grading.

The Chairman: There must be a miracle somewhere.

Witness: I don't hear you.

The Chairman: Why, there was a hold-back of \$700,000-odd, and that would make it up to \$19,000,000.

Mr. Tate: And we spent \$3,000,000 ourselves.

Mr. Davis: This is the widow's cruse of oil, I guess.

Mr. Taylor: Is it possible, Mr. White, that that \$1,839,195.02, being the difference between the \$16,475,630.42 and the gross sum that you have now given, is the amount that was retained by the Pacific Great Eastern for right-of-way and their own office and overhead expenses, and you have thought it was for track material and this force account? A.—No.

Q.—Now, Mr. Tate's contention is, and Mr. Thomas's contention is, that that \$1,839,195.02 covers their overhead, right-of-way, and office expenses, and that kind of thing that did not concern Welch.

Mr. Tate: That is right.

Mr. Taylor: That balances with this statement that Mr. Thomas has signed, Exhibit 174. Did you have anything to do with the preparation of that?

Mr. Tate: No.

Mr. Taylor: Now, Mr. Thomas has said they paid the contractor on his estimates \$16,422,146.42, and that was made up to February 28th, 1917.

Mr. Tate: That was the total amount of cheques he got from us.

Mr. Taylor: But that does not balance exactly with this. That is different to what you give up to February 28th, 1917?

Witness: Well, I don't understand that.

Mr. Taylor: Nevertheless, it is so close, there must be some other explanation than what you have given for that difference of \$1,839,195.02? A.—That item—do you want to know about it?

Q.—Yes. A.—Well, we are taking that right from the pay-sheets.

Q.—Those pay-sheets—I want to tell you something about them; probably you did not know it. I understand that those pay-sheets have added to them the P.G.E. overhead, right-of-way, sent over by the P.G. office in Vancouver to the Victoria office; so that it can be added up, and so it could then come back to the Government as one estimate?

Mr. Thomas: No; that was not the process, exactly.

Mr. Taylor: Oh, that was not the process?

The Chairman: You people had better get together on this.

Mr. Taylor: Mr. Thomas had better explain what the process was. You have not yet been sworn, have you?

Mr. Thomas: Yes, I have. These pay-sheets show the actual amounts earned by P. Welch on his estimates, including grading, bridging, track-laying, and extra work. The total of them amounts to something over \$18,000,000; but there is always a 10-per-cent. retention held back by the Company from the contractor on the whole amount of the estimate, except on bills for track material and extra work bills.

The Chairman: Wasn't that reduced to 5 per cent.? A.—No; 10 per cent. The amount paid by the Government that you probably have in mind is \$750,000-odd, that the contractor is not concerned with; that is between the Government and the Company.

The Chairman: Well, that is beyond my comprehension, because the Government has paid out everything, and I have been trying to get it in my head for three weeks that there was a hold-back of \$750,000.

Mr. Tate: That is right.

Mr. Thomas: In other words, there was work done to the value of \$750,000 that we have not received the money for.

The Chairman: Isn't that the only hold-back that there is?

(Mr. Thomas.)

A.—Yes, as far as the Government is concerned.

Q.—It is not hold-back by the Government, because the Government has paid out everything?

A.—Well, the work has been done to that value for which the Company has not received a cent from the Government.

Mr. Hanes: Mr. Farris means it is not a hold-back? A.—It is equivalent to a hold-back.

Q.—Well, it is not a hold-back; it is simply the value of that work done? A.—That is it.

Mr. Taylor: The Government has not held back any money from you, because they have paid out the whole amount of their funds under the guarantee bond, plus an additional amount which you are entitled to return.

Mr. Maclean: But in addition to that the Railway Company has done an additional \$750,000 worth of work.

Mr. Taylor: But between the Government and the Company, they held back 10 per cent.?

A.—Yes.

The Chairman: Between the Railway Company and the Government—while the Government have paid out all their money, there is still work done to the extent of \$750,000 in excess of what the Government has paid out in full for? A.—Yes.

Q.—Then, as between the Company and P. Welch, there is that \$750,000 outstanding, and another 5 per cent., making a total of 10 per cent.; is that right? A.—Yes.

Q.—That would make it approximately \$1,500,000? A.—Yes, a little over \$1,500,000.

Q.—And, in other words, that extra \$750,000 which the Government paid to the Pacific Great Eastern, instead of going to Pat Welch, it went to pay for bills for which the Pacific Great Eastern were liable? A.—Yes.

Mr. Hanes: Well, then, Mr. Thomas, has the Pacific Great Eastern got that \$1,500,000 in the treasury now? A.—No.

Mr. Taylor: Mr. Thomas, that may be the fact; but you do not mean to say that you had the Government pay out of those guaranteed trust funds money for work which had not been done? A.—No; the account that the Government pays to the Company, the work has been done by the Company, and value has been given, to date.

Q.—You just told the Chairman, inasmuch as you have not paid P. Welch, that by this circuitous way you got the Government to pay a large amount of money out for work which had not been done, under those guaranteed bonds, and then instead of putting that money into the road, it has gone to pay the interest on the \$18,000,000—

Mr. Tate: With the knowledge of the Government.

Mr. Taylor: It does not make it any better.

Mr. Tate: They allowed us to pay that back in instalments of \$150,000.

Mr. Taylor: You must remember that that letter is connected with the payment out of that \$750,000, and now we find it went for interest instead of for keeping the work going.

Mr. Tate: That appears from Price-Waterhouse's report.

Mr. Taylor: Now, there is a difference between the accountants, and you had better get it straightened out.

The Chairman: Before you go into that, I just want to ask a question. In your progress estimates which have been filed here, does it not show that work has been done by P. Welch to the extent of \$1,500,000 in excess of what he has been paid? A.—The estimates turned in by the Company to the Government, would not necessarily show any payments.

Q.—I did not ask you about that. I say, does the amount of work shown in those estimates exceed by \$1,500,000 the amount of work that has been paid for by the Company? A.—Yes, by more than \$1,500,000.

Mr. Taylor: It is \$1,839,195.02, to be exact. According to Mr. White, Mr. Welch only got \$16,475,000, and Mr. Thomas said \$16,422,000, and Mr. Welch said he got \$475; he got \$53,000 more than Mr. Thomas knows anything about, apparently.

Mr. Tate: The aggregated amount of our cheque is \$16,422,000—

Mr. Taylor: Well, \$2,000 does not make very much difference.

Mr. Tate: Our figures are correct—Mr. Thomas's and my figures are correct. That statement, Exhibit 64, is absolutely correct.

(Mr. White, witness.)

Mr. Taylor: Now, I understand, Mr. White, that Mr. P. Welch has received \$18,314,825.44; and you are sure of it. They have taken it off of P. Welch's bills which you have got before you? A.—Yes. But we have not been paid in full for this. There is a note for \$245,000, and they retain a percentage.

Q.—That is what I am talking about. Have you received \$18,314,825.44 from the Pacific Great Eastern Railway? A.—In cash? No.

Q.—Well, how much have you received in cash? Let us get one thing at a time? A.—This would be shown here.

Q.—No; that is not your statement. We are not dealing with that. Allow me to take that away from you.

Mr. Maclean: He made that up.

Mr. Taylor: We have got your statement that you have sworn to here; but you are referring now to Exhibit 64, which Mr. P. Welch filed the other day, and it is so vastly different from Exhibit 206 that I do not think it can be advantageously used at the same time.

Mr. Tate: This is Exhibit 174.

Mr. Taylor: We are looking now at two statements, one prepared by the Pacific Great Eastern, signed by Mr. Thomas, and dated 24th March, 1917, being Exhibit 174. It is made up to 28th February, 1917, and it purports to show a statement of receipts from all sources, and disbursements to February 28th, 1917. We are also looking at your statement of 10 pages, Exhibit 206; you have also taken off from a number of sheets, which are before you, the total amount of money which you say that P. Welch has received, \$18,314,825.44. I now ask you, looking at all these papers before you, and you being a responsible man, how much money has P. Welch received from the P.G.E.R.?

Mr. Kaufman: Evidently the statements are confusing; but I have an absolute file on that, with these figures drawn off in detail. I really cannot reconcile that difference.

Mr. Taylor: What difference? A.—There is apparently a difference here between these three sets of figures.

Q.—The difference of nearly \$2,000,000, that is all? A.—Well, the file that we have, which is filed as an exhibit, would show exactly how we arrived at these figures, and would check up with Mr. Tate's estimates.

Q.—Mr. Kaufman, you take the responsibility of saying that this Exhibit 206 is an absolutely true statement taken from the books and vouchers of Mr. P. Welch. This is the amount of cash that P. Welch has received. You have told me that he has received this \$1,839,195.54 in excess of the first line of page 1 of Exhibit 206; in excess of \$16,475,630.42 there shown; you have already said that; do you wish to make any explanation? A.—Those are the figures that we are submitting from the books.

Q.—The books show that P. Welch has received how much money from the P.G.E.R. in cash? A.—According to the pay-sheets, and excepting any clerical errors, it is this amount—

Q.—\$18,314,825.44; that is correct, is it? A.—So far as the pay-sheets before us now show.

Q.—The pay-sheets; have you got those pay-sheets here? A.—They are these (indicating).

Q.—Where were those produced from?

Mr. White: Mr. Tate's office.

Mr. Taylor: These are pay-sheets of the P.G.E.R. to P. Welch, contractor; they are so described; they are all the pay-sheets, are they? A.—They represent the pay-sheets to December, the last estimate we had.

Q.—And all the others as well? A.—Beg pardon?

Q.—And all the others as well? A.—Well, they are carried forward; it is supposed to be a total up to and including December 31st.

Mr. Tate: 1 to 41 and 1 to 6.

Mr. Taylor: They are all here, are they? A.—Yes.

Mr. Taylor (to Mr. Tate): I want to file these.

Mr. White: Those are from my office.

Mr. Taylor: Well, take your time, and let us get this thing right. These sheets that you now produce are from your office, are they, all sheets of this kind? A.—Sure.

Q.—All the pay-sheets? A.—Up to and including December 31st, from the totals carried forward, Mr. Taylor.

Q.—Up to and including December 31st? A.—Yes; this is the summary sheet, you see.

Q.—Up to and including December 31st? A.—To Estimate 45, I think.

Q.—And you have had no estimate since that time. Very well; we will file this as Exhibit 207.

Mr. Maclean: 208; 207, books and vouchers.

Mr. Taylor: Exhibit 208.

Mr. Maclean: Those are the pay-sheets.

Mr. Taylor: Produced by P. Welch, belonging to P. Welch.

Mr. Maclean: Up to 31st December?

Mr. Taylor: Yes.

Mr. Maclean: Do those include the payments made under the "Loan Act"?

Mr. Taylor: Everything.

Mr. Maclean: It is clear they put in \$2,000,000 more work in there than they got paid for.

Mr. Taylor: Exhibit 208 consists of 25 pages.

The Secretary: Who produces that, Mr. Taylor?

Mr. Taylor: Produced by P. Welch. We are not getting ahead very fast.

Mr. Hall: Was the statement prepared, as asked for by the auditor?

Mr. Hanes: This is it.

Mr. Taylor:—This is the statement.

Mr. Hall: Is that the statement that was prepared, asked for by the auditors?

Mr. Taylor: No; but I think it is a far better scheme. It is a regular proper statement, prepared by the auditor, and not one of segregated amounts; I think you will find that it will serve your purpose better than the one that was suggested through myself and the auditors. We have gone over the first item of \$16,475,630.42; can you account for the difference of \$53,000 between that and the Exhibit 174 filed by Mr. Thomas; can you account for that difference of \$53,000?

Mr. White: Not without consulting the estimates filed.

Mr. Taylor: The next item is less cost of work, \$11,357,733.65; that is subtracted from the first item and makes a profit on the construction-work of \$5,117,896.77. Now, what is included in that cost of work of \$11,000,000-odd; what is included in it, where are the details of that?

Mr. Kaufman: That is what we call from an accounting standpoint the direct construction cost; everything entered into the cost of the railway-construction; it does not include any expense account or overhead expenses.

Mr. Taylor: What do you mean by that, that it does not include expense account and overhead expenses? A.—Any incidental expenditures in connection with construction which would mean a vast number of amounts, which are shown on that detail sheet.

Q.—Which detail sheet? A.—It is included.

Q.—Where is it shown? A.—The summary is shown on the profit and loss statement.

Q.—Whereabouts? A.—Page?

Q.—Page 1? A.—Pages 1 and 2.

Q.—I am going over each of these items in Exhibit 206. A.—Yes.

Q.—This \$11,357,000 does not include the items that are added to the profits of \$5,117,000, nor does it include the deductions contained in the second part of this first page. A.—No; that is the direct cost.

Q.—So that those pages 1 and 2 show everything? A.—Yes.

Q.—Very well. Now we will go back again; we have got what it does not include; now tell me what it does include, and the basis upon which you took those items? A.—It includes every item of expenditure, and every item of revenue as shown by the books, in all the offices on the P.G.E.R. contract.

Q.—What do you mean by that, in all the offices on the P.G.E.R. contract? A.—I mean, the seven different offices; seven different sets of books, and that includes the entire seven sets of books.

Q.—Where are those seven sets kept? A.—Do you mean when they are on the work—in their respective offices.

Q.—Where were these respective offices; how do you denominate those offices—camp so-and-so? A.—No, they were head offices; one was at Vancouver, and one was at Hollyburn; one at Prince George; Ashcroft; Cheakamus; Lillooet.

Q.—You call those divisions, or sections, do you? A.—We call those sub-offices; with the exception of the Vancouver office, which was the head office.

Q.—They all reported to and were included in the Vancouver office books? A.—All included in the consolidated statement.

Q.—This, then, is the actual cost of the work; this \$11,357,000 includes the actual cost of grading? A.—The actual cost, yes.

Q.—Without the extra overhead expenses on the same sheets? A.—Yes.

Q.—That would include what you pay out to the sub-contractor? A.—What we pay out to the sub-contractor.

Q.—The gross amount that you paid to him? A.—What we paid to him, plus his expenditure, plus the supplies, plus what we paid for charges on money—

Q.—When you say what you paid to him, that is what you settled with him at? A.—At the figure we settled with him at.

Q.—His debit column is included in this? A.—His debit column is included, yes.

Q.—And that would mean that you would supply him with goods? A.—Yes.

Q.—At your own price? A.—Yes.

Q.—And, therefore, in this cost of work which you put down here at \$11,357,733 is included a large profit that P. Welch made on his store account? A.—That is true; the profit was included, but that profit is also included in this statement.

Q.—I suppose you would say that it is included in the very next item, "stores"? A.—Yes.

Q.—That is the explanation I wanted to get. A.—Yes.

Mr. Shatford: But that is revenue, Mr. Taylor.

Mr. Taylor: That is correct. This statement is correctly made out, and it shows \$16,475,630 received; cost of work, \$11,357,000; difference carried to revenue. Then the other items that are referred to are all in that revenue item of \$5,117,000, making a total revenue, over cost—a total net revenue, a total gross revenue of \$6,345,632.86. That is gross revenue on the construction of that road, and that amount is correct, you say; and according to your sheet, there is a net revenue which P. Welch admits, after all deductions.

Mr. Maclean: A net profit.

Mr. Taylor: A net profit of \$4,787,633.19. A.—That is correct.

Q.—That includes all this overhead you have been talking about? A.—That includes everything.

Q.—So it will be necessary for us to get those deductions and additions to see whether or not it will stand the test; one thing at a time. You say in this \$11,000,000 on page 1 of Exhibit 206 that it includes the profits that P. Welch made in the sale of goods to his sub-contractors or his stationmen, as the case may be? A.—Yes.

Q.—That, of course, reduces the revenue; and hence you have to add those added profits to the revenue? A.—We have the revenue from all sources.

Q.—That is correct? A.—Yes.

Q.—And the hire of the plant to those men, and the cost of that plant would be included—that rental would be included in the \$11,357,000? A.—That would be included.

Q.—Where have you got that plant shown as an added revenue? A.—(Indicating.)

Q.—That is, "Equipment and live-stock rental, \$91,690.96," added to the other revenues; that is the way—we want to get the explanation. A.—Yes.

Q.—Now, we had probably better take these other items, and that will suggest to us the other things that it will be necessary to add. The next thing is stores. On the third line, \$820,577.79 of a profit made here; in arriving at that figure, how did you go about it? Have you taken out every bit of revenue that was made on trading accounts? A.—Everything.

Q.—You are sure that that was done? A.—That is absolutely correct.

The Chairman: Does that sheet show the profit in the accounts where you paid your stationmen, in that \$11,000,000? A.—I do not quite understand your question.

Mr. Taylor: He has added that profit to the profit he made in the Stores Account, as a neat way of getting at it.

The Chairman: The \$11,000,000 shows the amount he paid, either in money, or wherever any stores were taken out by contractors and stationmen? A.—Yes.

Q.—Now, if you paid them in store goods, they will be put in at the price you sold at, not at the price you bought? A.—At a certain price.

Q.—Which would include the profit on it? A.—Yes.

Mr. Taylor: Therefore, Mr. Chairman, this \$5,117,000 is a less amount than it should be, and hence he has to add these other profits that you have named; he does it by segregating them.

The Chairman: Then this \$820,000 would include the profits made on the goods, which you have sold to your sub-contractors, instead of paying in cash? A.—That is the entire profit we made on our stores, including every bit of merchandise that passed through our warehouse.

Q.—You received, according to this sheet, \$16,475,630.42; in order to get at the actual cost of your work, with all profits deducted, properly deducted, we take this sum of \$6,345,632.86; it cost you to do that work after you deducted all your incidental profits, \$10,129,997.66; that is correct, isn't it? A.—Will you please explain what this item represents?

Q.—I have deducted the total profit from the total moneys received. A.—Yes.

Q.—On the estimates. A.—Yes.

Q.—The difference is the actual net cost of your work. A.—But, of course, that does not include our total expenses.

Q.—I am coming to those afterwards. A.—Yes.

Q.—That has to be deducted, of course? A.—Yes.

Q.—From your profits, not deducted from this sum; not deducted from the \$10,000,000, deducted from the profits? A.—Of course, the cost of the work would be the entire work; it would be all the items of expenditure that entered into the work.

Q.—You claim that the second branch on page 1 of Exhibit 206 has properly to be added to the \$11,000,000.

Mr. Maclean: Expenses as well as anything else.

Mr. Taylor: And the net result is that they made \$4,000,000, or nearly \$5,000,000—\$4,787,633.19; and that is, of course, the book-keeper's way of getting at it; but, as far as the first half of page 1 is concerned, I am correct in saying that you could have eliminated all these items leading to a net profit, a gross profit of \$6,000,000, by simply putting the second line, \$10,129,997, instead of \$11,357,000? A.—It could be shown that way.

Q.—Yes; adding expenses. A.—We show it more in detail.

Q.—That is simply to get the thing clear for the purposes of the notes. We have dealt with the third line, stores. You made a profit on stores there of \$820,577.79, which you say you have taken off faithfully, and well checked up? A.—Yes.

Q.—You are sure of that? A.—Yes.

Q.—No other profits were made, directly or indirectly, on stores? A.—Absolutely none.

Q.—After deducting expenses, sawmills sales, what is the reason that the sawmill is introduced into this matter at all? A.—Because sawmilling was an adjunct to the work—a necessity.

Q.—Will you speak to the Chairman—you say the sawmill was a necessary adjunct to the business? A.—Absolutely necessary to conduct our operations.

Q.—On that item, I want to ask if P. Welch's sawmills, or Foley, Welch & Stewart's sawmills, didn't actually saw most of the timber used in this construction-work? A.—Mr. Kaufman would know that.

Q.—Do you know it, Mr. White? A.—A very small proportion; of course, that can all be verified by the vouchers and the books and the purchases.

Q.—How many sawmills did you have?

Mr. White: We had three—two small ones and one fairly good-sized one; one mill sawing about 40,000 or 50,000, and the other small ones—

Mr. Taylor: All sawing for construction-work and nothing else? A.—Yes; well, one might do something on the outside, a little bit; primarily they were put there for the benefit of the railway.

Q.—You had in bridges about 16,000,000 feet, on the Culliton Bros.' bridges alone; how much of that was sawn at your sawmills? A.—I could not say offhand.

Q.—About how much? A.—I would ask Mr. McIntyre that. Do you remember from your statistics? I think Mr. Callaghan will give it.

Q.—About how much? A.—I think he would know approximately. I do not think he could give us a definite statement; it would be something that would have to be checked up.

Q.—Will you ask him? A.—Mr. Callaghan, you don't recollect the approximate amount—he doesn't recollect.

Q.—That is just a little on the side, anyway? A.—Yes.

Q.—How was the sawmill proposition given on this statement? A.—The sawmill?

Q.—How does the sawmill proposition come out, loss or gain? A.—(Mr. Kaufman.) It shows a slight gain.

Q.—\$623.16? A.—Yes.

Q.—That figures in respect of three sawmills? A.—That represents one mill.

Q.—Which one mill is it that makes this magnificent profit? A.—It would be the sawmill at Cheakamus.

Q.—Who sawed most of the lumber for these bridges? A.—They sawed a great portion of the lumber.

Q.—Most of the lumber was sawed by your concern? A.—Yes.

Q.—Well, you got full prices for that, and you allowed \$433,000 in addition for what Culliton got.

Mr. Maclean: Culliton didn't get anything.

Mr. Taylor: Culliton got the measurements for the labour putting it into the bridge.

Q.—Still you think that the profit is only \$623? A.—I know that that is correct. Much of Culliton's timber was brought from the outside, Mr. Taylor; it was brought in there from Vancouver.

Q.—Where do we go to get this amount, showing the small profit of \$623? A.—That will be on our ledgers and books of account, supported by vouchers, and detailed entry.

Q.—How do the other sawmills come out—to the good or to the bad? A.—We have one sawmill here that shows a revenue—

Q.—We will come to that later. The next item, stable operations; what is meant by that? A.—At each headquarters camp is conducted a stable, which is charged with the feed and the labour, and any incidental expenses connected with the running of that stable.

Q.—Yes? A.—And it is credited with the feed at a stipulated rate, and the difference represents the excess revenue over the cost.

Q.—Are those feeds included in your profits on the store, or— A.—They are entirely separate from the store.

Q.—But it is hay, and all that sort of thing? A.—It is hay—

Q.—And store goods out of stores? A.—Well, the hay would come out of the store and go into the stables; and then the stable is credited so much with horse-feed.

Q.—I see; you just rent the horses out? A.—No; these horses would be freighting.

Q.—And this is a profit on hauling operations? A.—Not on hauling operations; this is a profit on the stable operations alone, after charging the stables with expenses.

Q.—Where do you get the revenue from—where is it from? A.—For the hire that is charged to freighting teams that merely stopped at that stable.

Q.—A boarding-stable? A.—A boarding-stable.

Q.—And this is where horses board? A.—Horse-board.

Q.—Entirely? A.—Yes.

Q.—No hauling? A.—No haulage.

Q.—That is, the board of horses for contractors and sub-contractors and stationmen? A.—Yes.

Q.—Then you have a separate account, of course, for it. The blacksmith-shop made a total profit of \$896; that would be on your blacksmith-shop? A.—That would be the blacksmith-shop.

Q.—You charge them up again with all their supplies at a profit rate, and that profit would go into the stores? A.—No; we charge them all supplies at cost; there may have been one or two exceptions made, but that, I think, was the general ruling, that all supplies to the blacksmith-shops, etc., was to go at cost.

Q.—Some of these sub-contractors would have their own blacksmith-shops? A.—Those are the blacksmith-shops conducted by P. Welch at headquarters for the convenience of the work and the sub-contractors and ourselves.

Q.—And does not include, of course, any blacksmith-shop belonging to the sub-contractors or stationmen? A.—No.

Q.—Mess-houses? A.—The same remarks would apply to mess-houses as to blacksmith-shops; they were operated at headquarters for the convenience of the employees, and as a matter of absolute necessity owing to the distance at some places from anything in the way of hotels.

Q.—Pardon me—I don't want that evidence; I am just wanting to get at the financial end of it. In the mess-houses you made a profit of \$2,863.50; but have you charged to the cost of the work the profit that you made on boarding stationmen, and how you settled with them after charging that board to them? A.—We boarded no stationmen; that merely represented the headquarters mess, and the rest of the messes were conducted by the sub-contractors themselves.

Q.—Had P. Welch any interest in those sub-contractors' boarding-houses? A.—None whatever; only so far—

Q.—He supplied them with the goods? A.—He supplied them with the goods.

Q.—And the profit of supplying them with goods would be included? A.—Yes.

Q.—Bridge-barrels; that is a small item; we will not wait for it. Only \$153. And another small item, \$40. Section-house, Cheakamus, \$110; we need not wait for it. Force account percentage, \$6,000; you made a profit of \$6,734.68; what is the meaning of that? A.—That is the percentage retained from extra bills by P. Welch.

Q.—What is the meaning of "percentage retained"? A.—It means that bills were billed, and were entitled to be billed at 15 per cent. on the labour, and P. Welch retained a small percentage for the financing of the work. (Mr. Kaufman.)

Q.—What percentage did he retain for financing the work? A.—7½ per cent.

Q.—It is absolutely that, and nothing else? A.—Nothing else whatever.

Q.—If he gets force account, and supplies iron or timber which he had purchased from saw-mills and warehouses, when he supplied it, he would charge it up at the price it cost him, and simply add the 7½ per cent.? A.—That would apply to labour only.

Q.—You have told me that for financing the work he had 15 per cent. on the labour, and 7½ per cent. for financing the work. A.—He retained the 7½ per cent. out of the 15 per cent.

Q.—What did he do with the other 7½ per cent.? A.—That went to the credit of the contractor who did the work.

Q.—But where P. Welch did the work himself on force account, what would happen then? We have instances of that. A.—Well—

Q.—Building that building in North Vancouver. A.—He would be entitled to the 15 per cent.; no other contractor would be interested.

Q.—Then, is that 15 per cent. included in this item of \$6,734.68? A.—It is, yes.

Q.—It is sure in there? A.—It is in there, with the exception of these individual items right here—these small ones.

Q.—\$140; \$157? A.—There may be a few added amounts in there; I cannot recall all those accounts that were 15 per cent. on small items.

Q.—There are some other items following on this page 1 where there is also a retained percentage included. We will pass that for the present.

Mr. Hanes: Do I understand, Mr. Kaufman, that this \$6,734 is a profit on extra work bills? A.—On extra work bills from the district officers.

Q.—The extra profits are shown in that statement? A.—Yes, as shown in this statement.

Mr. Taylor: The next item: Equipment and live-stock rental, \$91,690.96 of a profit; that you have partially explained before; that is the rental of your horses and the rental of your plant? A.—Yes.

Q.—Is that the total amount of rental for rails and cars and plant? A.—That is the total.

Q.—Well, is that the balance between—a balance between that and some other gross amount? A.—No; that is the net revenue.

Q.—The net revenue? A.—The gross revenue.

Q.—The gross revenue? A.—Yes.

Q.—How did you arrive at that gross revenue? A.—We charged a rate, an established rate on our line, for the use of horses and railroads, and the total is shown on the statement, amounting to—

Q.—You mean to say that that is the total amount received for the rental of equipment and live stock? A.—That is the total.

Q.—The gross total? A.—That is the total.

Q.—Not the balance between something and something else? A.—That is the gross total revenue.

Q.—Do you know what the value of the plant and live stock was that produced that revenue? A.—I could not say.

Q.—Do you have a stock sheet showing what the value of that equipment and live stock was that produced that revenue? A.—We have it on our books, but that shows what is on the book now. At that time it would be something that would have to be produced from the vouchers.

Q.—Discounts; what is the meaning of that? Profits on discounts, \$2,656.73; what discount—from what discounts did you make a profit? A.—That would be a discount on purchases.

Q.—When you purchased goods you got your usual discount? A.—Whenever they were paid for in cash.

Q.—And it entered this account? A.—Yes.

Q.—That is the total sum, is it? A.—Yes.

Q.—Pack-haul, \$55; we will not wait to discuss that. The next item is \$6, and another \$45; we need not wait for it. I will ask you about that item, \$45.87, Seton Lake slide; how did you make a profit on that; who paid for that construction? A.—That was a construction item.

Q.—When did the slide take place—after the road was in operation? A.—No; before the track was laid—it was probably the grade over the track.

Q.—Paid for by force account? A.—By extra work bills.

Q.—Rankin, \$759; you ought to have a corresponding charge showing where you purchased that outfit? A.—That is the net. We purchased it for a certain sum, and disposed of it for a certain sum in excess of our cost.

Q.—It would have to be net; it is in the profit column. Whom did you purchase it from? A.—I don't know just the firm; I cannot recall the firm who purchased it.

Q.—Did you purchase it new? A.—It was purchased new.

Q.—Not from Foley, Welch & Stewart? A.—Purchased new in Vancouver.

Q.—Purchased new? A.—Yes.

Q.—From merchants dealing in that thing? A.—Yes.

Q.—And sold to Rankin at a profit. You understand—it was not taken over from Foley, Welch & Stewart or any other interested party? A.—No.

Q.—Pemberton, freighting; what was that freighting—Pemberton Meadows? A.—That is freighting done by the Company.

Q.—That is the profit on it? A.—A slight profit.

Mr. Davis: Is that P. Welch, or the Company? A.—By P. Welch.

Mr. Taylor: Why do you call it Pemberton? A.—Well, it is just an accounting term, analogy, indicating that the work was done in that country, and we could identify that on our ledger.

Q.—It was done in the Pemberton country? A.—Yes.

Q.—It is not the profit on all your freighting? A.—No.

Q.—That is shown in some other way? A.—This is a separate freighting account.

Q.—Is that the profit on hauling between Squamish and Pemberton? A.—No; it was for just a short time when we did the freighting for the contractors; they were not prepared to do their own freighting, and we put in our own teams for a short period of time, and this is a small account in respect of it; and that is the excess revenue.

Q.—I understand that it applies to horse-haulage and not to rail-haulage? A.—Possibly they hauled some rails.

Q.—I mean, it was not hauling by steam-train? A.—Oh, no, no; wagon-freighting.

Q.—Tax commissions; we will pass that. Cash order freighting, \$15,195.65 for profit; what is the meaning of "cash order freighting"? A.—That is the large item, freighting from our various warehouses to points along the Cariboo Road, along the road north from Lillooet. It represents the excess of what we paid and what we charged to the sub-contractors; we paid for all the freighting in cash.

Q.—It stands in the same position, does it? A.—In the same position.

Q.—as the Pemberton freighting? A.—Only a different amount.

Q.—Why do you call it “cash order freighting”? A.—Because the sub-contractors issue to the freighters a cash order on our office, which we honour, and pay for if correct, after being properly checked.

Q.—I see you have separate accounts now showing what it cost you to carry on that account and the profit made. Have you any other accounts in your books? A.—Yes.

Q.—That is freighting account? A.—Cash order freighting in our books; they have the same designation.

Q.—All these captions are the captions on your accounts? A.—Yes.

Q.—North Vancouver Station; that is a small item, \$20. Car-barns; that is another, \$324. It is referred to as containing a percentage? A.—Yes.

Q.—Car-barns; where is that—Squamish? A.—Those car-barns are at North Vancouver.

Q.—Now, would P. Welch make a profit if he built them on force account? A.—If he built them on force account. Those particular ones, I think, were built on force account?

Mr. Hanes: In the North Vancouver Station you show a profit of \$20? A.—Yes.

Q.—What does that refer to? A.—That refers to—that is the amount that we received for the construction of that station over and above what it cost us.

Q.—Are you prepared to state that that was all the profit you made on that? A.—Yes.

Q.—You received about \$4,000, did you not, for that statement? A.—I do not recall just the exact sum; our books will reveal that.

Q.—I think, Mr. Taylor, we should have those bills produced.

Mr. Taylor: We have that account filed; it was \$3,000 and something, that North Vancouver Station. It was one of the force accounts given in Howatson's testimony, or Anderson's testimony—Howatson's, I believe.

Mr. Maclean: It is simply exploding the balloons that were sent up that we were making such terrible profits.

Mr. Taylor: Do you call a \$5,000,000 profit on this contract a small profit?

Mr. Maclean: I am talking about that statement at North Vancouver; I think that it is a very reasonable profit, if you ask my opinion.

Mr. Taylor: In this case it is all cash, and we are dealing with the \$16,000,000 received, and the difference between that and what it cost.

Mr. Maclean: I am referring to the statement at North Vancouver; now they have made \$20 on it, which is supposed to be a horrible thing.

Mr. Hanes: Now, Mr. Taylor, before we go on, here is a statement that has been supplied to me by Mr. McIntyre, and it shows that the North Vancouver Station cost \$3,593; can you give me any information on that, as to whether that is anywhere near the amount that the station cost? A.—I could not recall it without referring to the books; but our books are absolutely accurate, and our accounts can be supported by vouchers, and detailed entries, and bills.

Mr. Taylor: You have paid a number there of bills above ordinary prices for lumber, and we have the bills there. My recollection is that there was no profit charged on the lumber, but a profit of 15 per cent. only charged on the labour? A.—Yes.

Q.—It was referred to in Howatson's testimony. Do you say that the net result was that you only made \$20 on that building? A.—\$20.14, if I remember right.

Q.—We will get the details of it.

Mr. Hanes: Do you know if that station did not cost more than \$500? A.—It cost the exact sum as shown by the ledgers, which I cannot recall now.

Mr. Taylor: Who did it cost—to the sub-contractors? A.—It cost P. Welch.

Q.—Did P. Welch do it himself by day-labour? A.—Do you remember, Mr. White?

Q.—Did P. Welch do that North Vancouver Station by day-labour? A.—(Mr. White.) I think so; I think it was done through our Hollyburn office, and it would appear on the Hollyburn books.

Q.—Have you got those Hollyburn books here? A.—Yes, they are here.

Q.—That can be looked up by Mr. Hanes, then.

Mr. Hanes: I would like to ask Mr. Kaufman to show to the Committee the actual cost of that station. I think, myself, about \$500 is about what it was.

Mr. Taylor: You are asked to produce the books showing the cost of construction and the profit.

Mr. Hanes: And also the cost of the station at White Cliff, which was given here as \$2,474; and the cost of shelters at North Vancouver, \$2,576.

Mr. Taylor: The next item, \$17 of profit; we will pass that. Reconstruction, Capilano, you made a profit of \$975; that is the bridge that was reconstructed so many times? A.—Yes.

Q.—And all those reconstructions resulted in a profit of \$975? A.—As far as the books reveal, and they are correct.

Q.—It is necessary to go into the books to see how you arrived at that amount, apparently. I understand that you arrived at it by charging up everything at cost—lumber and everything else and timber at cost; just what you paid to the sawmill, and other than the expenses of getting the material on the ground? A.—Yes.

Q.—The same with the iron; and no profit added, only the profit is shown here. A.—That is the only profit as shown.

Q.—In Exhibit 206? A.—On the reconstruction.

Q.—But that doesn't mean what I am getting at now. You see, you could say that perfectly truthfully; I am not reflecting on you in any way—you could say perfectly truthfully, and still it is only what is shown in the books; but that will not cover it; it is the actual profit? A.—That is what is indicated on the books.

Mr. Maclean: And the vouchers. A.—Supported by vouchers.

Mr. Taylor: Now, you take lumber that went into that North Vancouver Station, and the timber in these bridges, and into this Capilano Bridge construction; is that shown on the books at actually what it cost? A.—On the Hollyburn books—I am under the impression it did; I didn't keep the Hollyburn books, and I have not examined the vouchers with the Hollyburn books.

Q.—I understand that we can take the vouchers and the accounts, and we can see then what is charged on the books; what has been charged is the amount paid to the sawmill and the amount paid to the men for labour? A.—Well, I have not examined those vouchers with the Hollyburn books; but it should show that on general principles.

Q.—And the result will be to show that you have made a profit over the North Vancouver Station of \$20.14? A.—Yes, that is correct.

Q.—We can check it up with the books, now we have the basis? A.—Yes.

Mr. Hanes: You were speaking of the Hollyburn books? A.—Yes.

Q.—Is it not a fact that P. Welch's books will show that in the main office, that he drew the prices for that timber that was mentioned in the contract, \$45 a thousand for the timber and 35 cents a foot for piles? A.—Will you please repeat that?

Q.—Is it not a fact that when those bills were put in to the Government it showed the timber at \$45 or \$50 a thousand and the piling at 35 cents a foot? A.—I cannot state exactly, because I have not examined the Hollyburn vouchers.

Mr. Taylor: Yes; that is what I had in mind, Mr. Hanes. Those bills we have gone into showed that the timber was charged at \$45 a thousand, and we found that piles were charged at 35 cents a foot, driving them, when you bought the piles for 6 or 7 cents a foot? A.—I did not have any connection with that.

Q.—And there would be a profit; that apparently does not show here? A.—This shows all the profit in connection with the actual cost and the amount received, and there is the difference.

Q.—You are at one with me, if actual cost means the same to you as it does to me. What do you mean by "actual cost"? I asked you two or three times if you meant the exact amount paid to the wholesale firm that you bought the stuff from, plus the actual cost of getting it on the ground? A.—I am under the opinion that is what it is; but, as I stated before, I have not examined the Hollyburn vouchers, and I cannot state definitely what it was.

Q.—Has it been rendered to the Government on the same basis of cost? A.—I am of that opinion.

Q.—The process has not been changed when it was put in the estimates to the Government? A.—I didn't keep those books; it is impossible to go over all the work in detail.

Q.—We have to check this up in a few instances. North Vancouver, grid-iron; what is a grid-iron? A.—I don't know what that is. (After referring to some person.)

In connection with the Chesterfield Wharf.

A voice: A platform built to set scows on.

Witness: That is what it is; I could not recall it.

Mr. Taylor: Then there is a small item, North Vancouver Lumber Company, shelter-sheds, \$303; where are they? A.—They are on the North Shore.

Q.—What are they for—for the cars? A.—Yes, they are for the cars.

Q.—White Cliff Station, that is \$246; we will pass that, as it has already been discussed. Road-tax, North Vancouver, \$4; a profit on road-tax; cancelled cheques, profit. What are those deductions for—\$66.60 for profit deductions? A.—Those were deductions made at Prince George.

Q.—They are what—just general deductions? A.—I think they are from cheques.

Q.—Why would they be made discounts; how do you mean? A.—Well, I presume they will be discounts for amounts owing, or something like that; I would not say what that small amount was.

Q.—Made by discounts, cashing the cheques—made up in that way? A.—It might be—no discount was ever charged by us for cashing any cheque.

Q.—Referring to Fort George office: force bills, \$348.76. We have had force accounts percentages up before, \$6,000, and now we have force bills, profit; what does that mean? A.—That is from the Fort George office, I presume; that would cover some particular bill rendered.

Q.—You have the books here, have you? A.—You have the books here.

Q.—And they will show the handling of this thing. Machine-shops; you made a profit of \$5,071.25—several machine-shops? A.—We had one machine-shop.

Q.—Whereabouts? A.—At Prince George.

Q.—And you made this profit? A.—Made this profit.

Q.—Percentage on freighters' account; what is the meaning of percentage on freighters' account, \$23,604 profit? A.—That would be similar to this cash order freighting; this was a different office.

Q.—It is the same as cash order freighting? A.—It covers, in addition to freighting, any orders; they will take orders for anything.

Q.—And you make a percentage on that; just explain how you mean it? A.—We would charge the contractors a percentage over and above the amount of the order, paying cash, providing the cash for them.

Q.—Will you give us an illustration? A.—If a contractor incurred an expenditure of \$15 worth of road-house for meals, and the owner of the road-house presented the bill to our office for payment, we would charge a percentage.

Q.—For looking after it? A.—For handling it.

Q.—10 per cent? A.—10 per cent.

Q.—That was the regular rate? That was the rate.

Mr. Hall: Would that be done also in the case of advances on wages? A.—No; no percentage on wages.

Mr. Taylor: On advances—Mr. Hall means advances on wages. A.—No percentage on any moneys expended for wages, advances or otherwise.

Q.—It is a regular practice of some railroad contractors, is it not, and Foley, Welch & Stewart employed the same system? A.—As far as I know, it is the practice of most railroad concerns or contractors.

Q.—If you were settling for some bills for sub-contractors' work, wouldn't you charge a percentage on paying all those sub-contractors' accounts? A.—Will you repeat that, please?

Q.—If you paid the accounts of the sub-contractor for him, his supply accounts to the different stores, you would charge him 10 per cent. on paying his account? A.—If he purchased the supplies we would charge him.

Q.—And if he had no money to pay, he must necessarily give an order on your people? A.—Yes.

Q.—And you would charge that percentage? A.—We would charge him the percentage on the supplies that he purchased.

Mr. Hanes: That was 10 per cent., the Lillooet charge? A.—Beg pardon?

Q.—It was 10 per cent. in that case? A.—The percentage varied.

Q.—What was the highest percentage charged? A.—25 per cent.

Mr. Taylor: The percentage charge was as high as 25 per cent.?

Mr. Hanes: Along Pemberton, was it not 25 per cent. in some cases? A.—In some cases.

Mr. Taylor: You would charge 25 per cent.? A.—That would apply to supplies only.

Q.—The principal thing is that in carrying on the work which had to be done by you, they simply had to get their supplies, but you were owing the money to them, and you would give an order to these people, who had money coming to them for doing the work, and make a charge of 10 or 15 or 25 per cent. for it? A.—It is in lieu of a profit.

Q.—It is a matter of policy for the contractor. Mr. White, you can answer that question; what is the reason of this? A.—Because it is in lieu of a profit; it is really more than we make in the store.

Q.—And you charge the percentage on the sub-contractors' accounts in that way? A.—I explain it in this way: A man may buy up the line away from our store, potatoes, and we handle them at our headquarters; he may buy them thirty or forty miles away, and we would charge him 25 per cent. on the cost; it would be really cheaper for him than to buy from Vancouver at the same price and freight them.

Q.—So that if he bought them from a man—say he bought them from a farmer, quite close to his work, you would charge him 25 per cent. because he bought them from the farmer? A.—It would be a benefit to him, if he could really get them cheaper.

Q.—Why should he buy them from you, unless you are doing him a kindness by charging these prices? A.—Very often they do buy themselves, and we do not know anything about it.

Q.—But when you do know anything about it you tack on another 25 per cent.? A.—No, not unless we pay the bill.

Q.—You would charge it to what you owed him? A.—Well, that is his privilege if he wishes to buy.

Q.—If he bought himself, and paid for it with his own money, and you found it out, would you still charge him the 25 per cent.? A.—No.

Q.—It is only when it is a bill that you do not pay, but that you charge up against him, having moneys in hand from which you may deduct the sum; it is then that you charge him 25 per cent.? A.—Well, Mr. Taylor, very often he owes us, and we don't owe him; he may be behind in his work.

Mr. Hall: Is there a summary of those profits any place, a summary showing the details of this deduction?

Mr. Taylor: This \$23,000 would be the gross amount of those percentages, wouldn't it?

A.—That would be the gross amount of those percentages.

Mr. Hall: But where are the details of that?

Mr. Kaufman: That would be in the original book of entries.

Mr. Taylor: What is the name of the account? A.—That is the Prince George ledger.

Q.—Percentage on orders account? A.—Just the same exactly as listed here.

Mr. Hall: Was it only 10 per cent. up there, Prince George? A.—Beg pardon?

Q.—Was it only 10 per cent. at Prince George; is it only in the Prince George ledger?

A.—That is the way they handled the account at Prince George.

Q.—Was it only done there? A.—In this way—they opened an account—

Mr. Taylor: Mr. Hall wants to know whether you had the same system down at Squamish? A.—Oh, yes.

Q.—Where is the profits on the Squamish end? A.—That is included in the store profits.

Q.—In the \$820,000; the third item on this page. Cedar logs; what is the meaning of cedar logs? You have a separate account for it, \$564 worth of profit; is that also Prince George? A.—No; that is from Cheakamus; but I am not familiar with the transaction.

Mr. White: I think that was a profit made off cedar logs that were sent down to Vancouver; we sent some cedar logs down to Vancouver from one of our limits.

Q.—Yes? A.—It is just simply the profit on that shipment.

Q.—We will skip the next one, \$11. Sawmill, \$9,674 profit; we have discussed that before. Prince George; you have made a profit of \$333.42 on Prince George freighting?

Mr. White: That covers the difference between the rate given to us by the G.T.P. and the regular tariff rate.

Q.—It is your rebate? A.—Yes. We had a construction rate from Fort George from the Grand Trunk Pacific; it is the difference between the tariff and the regular construction rate.

Q.—It is the difference between construction and ordinary freight? A.—It is a contractor's rate.

Q.—Rails, fasteners, etc.; you made a profit of \$13,000; what is the meaning of that? A.—(Mr. Kaufman.) That is handling expenses, transferred to that account.

Q.—What is the meaning of rails, fasteners, etc., a profit of \$13,178? A.—That represents the money that we have received for rails over and above the amount that we paid out, but that amount is still to be charged with some handling expenses; the exact amount I cannot tell.

Mr. Hanes: Isn't it a case of difference in weights? A.—Beg pardon?

Q.—Isn't it a case of difference in weights? A.—I don't know; I didn't make up those bills.

Mr. White: I think, Mr. Hanes, it is the handling expense coming under Mr. Sperry's department.

Mr. Taylor: That makes the total revenue, the total profit, or gross profit, \$6,345,632.86. Now, to be deducted from it——

Mr. Hall: Just in connection with that, Mr. Taylor; is there a statement there of the stock on hand in connection with rails, and so on, as at the date of the statement? A.—We have no stock of rails on hand.

Q.—Well, or anything?

Mr. White: Heavy rails?

Mr. Hall: Anything. The point I am getting at is this: You simply show a net profit there; have you taken into consideration, in arriving at your net profit, the supplies on hand? A.—I have taken our store supplies, all of it, and it is all included in the statement, as to the monetary value.

Mr. Davis: You will find that on the third page.

Mr. Hall: How does that work out in your profit?

Mr. Shatford: Have you regarded all these things at cost?

Mr. Kaufman: Not at the original amount; that would be entirely separate.

Mr. Shatford: But your stores and supplies? A.—That would be correct for the stores, and the sheets show a net profit on them.

Mr. Taylor: Taking deductions; there are a few of them, and probably we could get through them in a few minutes. Exhibit 206, expenses, costs, and losses. Expense account, \$397,633.50; what is included in that item? A.—The expense accounts are listed in detail on this large sheet.

Q.—Give me the page of it? A.—Every item on the sheet is on this.

Q.—What is the heading? A.—Expense Account.

Q.—Under 1, 2, and 3? A.—Three headings.

Q.—Three-figure heading, page 6. Now look at the top of the page; you see a trial balance expense account, and profit and loss balance sheet; then transfer. Page 6.

Mr. Pooley: Give the folio reference; there are a series of items? A.—Yes; all expense accounts are in detail.

Mr. Taylor: This is the first page of the trial balances; it shows a total of \$312,422.03; the second page is carried forward, total of \$356,000; third page, ditto; and the last page is \$397,633.53, which corresponds exactly with the first item of expenses on page 1? A.—That is correct.

Q.—So that if we go through these different items we will see what you mean by that first item. Just to illustrate: Live-stock expense is the first item, in the details of that big general item, page 6. Folio 118. \$8,554.16; now, why do you state live-stock expenses from the gross revenue that you have shown on page 1? A.—Because it was the expenditure that we had incurred in connection with our live stock.

Q.—But that live stock as shown before is producing a certain revenue, amounting to \$91,690? A.—But there is the expense of doing it.

Q.—You could have stated that item as \$91,690 less this \$8,554, if you wanted to? A.—Yes, and arrive at exactly the same result.

Q.—That illustrates what you mean.

Mr. Kaufman: Yes.

Mr. Taylor: The next item seems to be live-stock expense too? A.—Yes.

Q.—And the next—no; wagon-road crossings? A.—That is right.

Q.—That timber-cruising; now, that is an expense in connection with what—getting timber for the road? A.—For any purposes; for the railway, for the mills, or——

Q.—Not in connection with profit on timber claims, though? A.—I think not.

Q.—Are you sure? A.—I know where there was a cruiser employed; he was one of the officers—I cannot explain just what he was, or what timber he was cruising.

Mr. Taylor: That shows, Mr. Chairman, how this thing is working out; and it is easy enough to take a page and find exactly just what those items are. We have not time to go into them now.

The Chairman: That is right; there is no reason why the Committee should go through those details.

Mr. Taylor: The auditor can check them up.

Mr. Davis: These witnesses will be here in the morning, I suppose; I want to ask some questions of them before they go.

Mr. Taylor: I presume they will be here in the morning.

Q.—The next item on page 1 is Pacific Great Eastern construction department, \$440,424.75; where do I get details of that item? A.—We have no details in connection with that without analysis of the ledger account; we have a controlling account in the ledger showing the total expenditure. We have an account in our ledger showing the total expenditure of the Pacific Great Eastern construction department, which is the net expenditure after deducting the amount of revenue we receive.

Q.—Now you have got this matter up to that point, where did you go to get the details of that item, \$440,424.75? A.—Through our ledger account.

Q.—What ledger account? A.—Vancouver office books.

Q.—Now, we have a car-load of those here; where do we go in order to get the information to enable us to arrive at the same thing at which you arrived—namely \$440,424.75; cannot you be more explicit? A.—It is supported by vouchers.

Q.—What vouchers; how do we find them? A.—They are on file.

Q.—They are on file; are they in the Parliament Buildings? A.—Yes.

Q.—He would have to go to find out where they are; what is he to look for? A.—He would have to make an analysis of the account.

Q.—That is just gloriously indefinite; cannot you figure it out where they can be found? A.—From the ledger, and the folios in the ledger.

Q.—Of course, they can be found in the ledger; whereabouts in the ledger? A.—We got it from the folio in the ledger.

Q.—But you can tell me where to get this information; I ask you where we should go for it; what would you take into consideration in the accounts? A.—This is our ledger account; the same as this.

Q.—The Pacific Great Eastern Railway Construction Department Account.

Mr. Maclean: That is the caption.

Mr. Taylor: The Pacific Great Eastern Railway Construction Department Account in your books? A.—Yes.

Q.—Will you tell us in a general way what that includes? A.—That includes all expenditures made on account of the construction department, pay-rolls and supplies and incidental expenditures.

Q.—And there is a balance in the account against the loss of \$440,424.75; that involves the consideration of a great many items? A.—A great many.

Q.—That is something which our auditors will have to check up also; depreciation and loss on outfits and supplies; that is the name of the account also? A.—That is the name of the account; that is the balance—what we call a balance-sheet adjustment; the auditors would understand it.

Q.—There is a ledger account for it? A.—No, there is no ledger account for that.

Q.—Would you mind explaining to the Committee, \$78,623? A.—Supplies. The inventory of supplies was taken at their cost to us at the work, and it has been on the work for a considerable time, and the work has closed down, and so far as realizing anything on those supplies, it is doubtful; and the sum was charged off as a loss.

Q.—Who was it established that amount? A.—That was established in our office.

Q.—By whom? A.—Mr. White authorized it.

Q.—Mr. White; who authorized that amount? A.—It was just an arbitrary amount made up.

Q.—Fixed by whom? A.—Beg pardon?

Q.—Fixed by whom?

Mr. White: Fixed by me.

Mr. Taylor: Are you a practical man at handling this stuff? A.—Well, I am fairly familiar with it.

Q.—But are you not a man of accounts? A.—Yes.

Q.—Isn't there some man connected with the work who knows all about the prices, and who would be able to fix the value of the plant? A.—I do not think there is any one, not right now.

Mr. Maclean: Mr. White has had a large experience, of course.

Mr. Taylor: What did you go upon in fixing that amount of \$78,000? A.—How do you mean—depreciation?

Mr. Maclean: The depreciation, yes.

Mr. Taylor: What was the mental operation that produced the \$78,000? A.—Do you mean, as the depreciation?

Q.—Depreciation and loss on outfits and supplies? A.—It was an arbitrary deduction of 50 per cent. on the first cost, given on the invoiced cost; there was no freight added to it or anything.

Mr. Kaufman: Those supplies were inventoried at what they cost laid down at a certain point, which is the value of the goods at that place.

Mr. Taylor: You just cut off 50 per cent.; what class of goods would that cover? A.—That covers most of it; it would be difficult to give them in any sheets in detail.

Q.—The total value was \$156,000? A.—At the time of taking the inventory.

Q.—And you just split it in half? A.—Yes.

Q.—You may make a heavy salvage; you may not lose that \$78,000? A.—It goes right back into the account again.

Q.—But it will go back too late for this inquiry? A.—The accounts are still open, Mr. Taylor; they are still open to adjustment.

Q.—Timber claim; the railway took up a timber claim? A.—I think there was some expenditure in connection with timber charges; I just forget the exact amount.

Q.—Tanks, pack-train, etc., \$1,341; those expenditures you have not charged in figuring those profits? A.—That is an expense added to the cost.

Q.—Fire Loss Account; what is the meaning of that \$8,380? A.—That is an account called the Fire Loss Account; I think there was a claim settled, some claims for damages.

Q.—Damages done by running along the railway? A.—That was owing to fires that escaped our patrol.

Q.—Trail camps; what is the meaning of that? A.—That is, roads, constructed wagon-roads, constructed so as to deliver supplies to our sub-contractors.

Mr. Maclean: Road-work would not be paid for? A.—Not paid for; that is a dead loss.

Mr. Taylor: Another item, \$520? A.—I don't know the details of that.

Q.—C. W. Harder, \$1,066; what is that? A.—That is expense incurred in connection with a man in our employ; we incurred that much expense.

Q.—Some trouble you had with him? A.—Some trouble, yes.

Q.—Loss on live stock, \$42,350? A.—Yes.

Q.—That live-stock seems to be nothing but loss up to date; that was included in the expense account of \$397,633. You buoy our hopes up one time by giving us a profit of \$91,000, and then you proceed to knock off far more than that; there was no profit on live-stock account, then, at all? A.—If the difference between the two is not of any appreciable extent, there would be no profit.

Q.—I thought that you told me when you were dealing with the live-stock rental, and equipment rental of \$91,000, that that was a difference between the cost and results, or did you say that? A.—No; I was referring to it as gross revenue; and you were explicit in asking me for all the gross revenue.

Q.—All right; in the first item, there is \$397,633, live-stock expenditure; why have you got a separate estimate for that \$42,000? A.—Because that represents the difference between the amount that was paid for the stock and the amount that the stock realized.

Q.—The difference between that amount and when you sold your live stock. I think that live-stock matter had better be investigated. Outfit, military purposes; what is the meaning of

that outfit for military purposes? A.—That is the expenditure we incurred in connection with the preparation of outfit for Mr. Stewart.

Q.—Timber purchases and sawmill loss, \$18,385; what sawmill was it that made a loss? A.—I think that was in connection with several sawmills; there are different items pertaining to each of the sawmills.

Q.—To any of the sawmills that you referred to in the profits column here? A.—It may have an effect on some of those matters; but analysis would reveal that as timber purchases.

Q.—Timber purchases and sawmill losses; you made a loss on Lamb Bros., \$16,425; will you explain that? A.—That logging was done, and the expenditure charged to the Cheakamus sawmill.

Q.—Why did you run this sawmill business into this railroad-construction at all, either profit or loss? A.—Well, it is a part of that portion of the construction; it was sawmill purchases.

Q.—You might as well run in the Pacific Great Eastern Development Company? A.—No; the sawmill was purchased and operated for the benefit of the construction—for bridge-timbers, and ties, and construction lumber.

Q.—Abbotsford outfit, a loss, \$4,800? A.—That is another item of difference between the cost and the amount realized. That is the origin of the outfit; that is all.

Q.—The account is in that name? A.—Yes, under that caption.

Q.—There are several items here of \$1,000, and \$3,000, and \$4,000, which will be explained in the same way; so we will pass to the interest on the Union Bank loan; what is the meaning of that?

Mr. White: That is interest that we paid out of P. Welch's fund to the Union Bank on a loan of \$4,800,000. Since that payment there has accrued practically \$6,000 to \$7,000 a month; that is, interest on the loan to Foley, Welch & Stewart.

Q.—And this Pacific Great Eastern loan? A.—Well, we have been paying that interest up to that date.

Q.—P. Welch or Foley, Welch & Stewart have been paying it? A.—Beg pardon?

Q.—P. Welch or Foley, Welch & Stewart have been paying it?

Mr. Davis: P. Welch.

Witness: P. Welch has been paying it.

Mr. Taylor: P. Welch? A.—Yes.

Q.—But it is really interest on the guaranteed debentures? A.—Yes; on the loan that we have from the bank.

Mr. Hanes: In case that was paid off, your Company then would have that much more profit? A.—Well, that account would naturally be credited with the amount.

Q.—Is that the right place for it? A.—That is simply a question of accounting; we have paid out the money.

Q.—Before we leave this subject, has Mr. P. Welch a note from the Railway Company for that amount? A.—No.

Mr. Taylor: That amount is included in what the Railway Company have given him? A.—No; there is no hope for it.

Q.—Anyway, it is perfectly clear that it is not paid on profit and loss, on construction account; that is absolutely clear? A.—Oh, no; we count that as an interest item.

Q.—Interest on overdraft; what is the meaning of that—P. Welch's overdraft? A.—Yes.

Q.—Or the Company's? A.—P. Welch.

Q.—You say that a note was given in respect of the interest; it is clear that that \$382,000 has no business in there. If I am correct in that, you admit then that a net profit of \$5,170,577.85, if that interest item, which belongs to the Pacific Great Eastern Railway, has nothing to do with the construction at all; that is correct, isn't it? A.—If you would consider that that was not a proper charge.

Q.—If my figure is correct, that is not a proper item in the construction account charge, the note to the Railway Company for interest on that money, and the true profit would be \$5,170,577. Now, Mr. White, before we leave, you prepared Exhibit 64, which Mr. Welch said he could not verify; but it was prepared by you, and it shows a loss of \$1,026,045.24, from which he wanted to switch the item of \$130,000; and it made a small profit, by changing one of the items that he changed on it, of about \$28,000.

The Chairman: What exhibit is that?

Mr. Taylor: Exhibit 64. And he says that is a true statement, and he went through the prices, and he was satisfied with it as being a true statement of what P. Welch made on that contract. Now, according to this profit and loss account, considering that I am right as to that \$382,000, you have made a net profit, with all expenses deducted, everything you can think of, of \$5,170,577.85, and you are the same man in each case; how do you explain it? A.—So far as the Development Company investment was concerned, it was figured that the profits went back; that is, all the profits of the Investment Company were all taken out, and we had so much left; we were considering all of the investments together.

Mr. Pooley: That is Exhibit 64?

Mr. Taylor: Exhibit 64. I am going to come to that to-morrow.

Mr. Pooley: It is just the same as Exhibit 207.

Mr. Taylor: We are dealing now with the construction of the railway, and the position of this Province on construction, which is fully dealt with in these pages 1 and 2.

Mr. White: We have not any profits that the railway made; they are just paper profits.

Mr. Taylor: If you look at pages 1 and 2 on Exhibit 206, you will see they were actual cash profits, no paper profits. A.—On that particular work?

Q.—Absolutely cash that you have received, dollar for dollar, from the Government of British Columbia.

Mr. Davis: They have not received that cash; there is still \$2,000,000 owing from the Railway Company.

Mr. Taylor: Am I not correct; you have received the full cash shown in these totals, \$5,170,570, haven't you? A.—Yes; without putting that interest back, yes.

Q.—Or leaving the interest, you say that you have received a cash profit. I cannot see what is the use of any person saying that it is paper profit; it came from the Government, \$4,787,633; absolutely in cash, didn't it? A.—We haven't all of it yet; there is a retained percentage; we haven't it yet.

Q.—Allow me to point out to you — A.—Certainly.

Q.— — that you have received \$16,475,630, haven't you? A.—That is the amount that we are going into, yes?

Q.—You have received that sum. And you have a gross profit on that sum, a gross cash profit of \$6,345,632, haven't you? A.—According to that statement, yes.

Q.—Yes; and a gross cash profit, didn't you? A.—No.

Q.—What do you say, then? A.—We have expended money through our balance-sheets that would eliminate a cash profit as you state. We have expended money for the Development Company, and for the Equipment Company that is not shown in here as an expense, of cost, or loss, or credit; everything is an asset.

Q.—The Development Company and the Equipment Company are investments; I am not talking about them at all. I am not talking about how they choose to invest their money, nor whether Mr. P. Welch may be able to build a block in Spokane, or whether he chooses to invest in some lands in Squamish; that is his business of investing; I am only talking about the construction of the Pacific Great Eastern. Is not this the case: Have they not, upon your own basis, absolutely received, cash in hand, a net profit, everything taken into consideration, on construction, by him as a contractor, of \$4,787,633, which is nearly \$5,000,000; and is it not a fact that \$4,787,633 is actual cash net profit received by P. Welch on construction; I don't care how it is invested afterwards; isn't that right? A.—The money was received —

Q.—And that is the profit; certainly the money was received.

Mr. Davis: And paid out.

Witness: And paid out.

Mr. Taylor: And reinvested by him in something that you have not shown in this statement.

Mr. Davis: Paid out in connection with the railway.

Mr. Taylor: Now, I do not think this Committee is a jury; we are not talking for the press.

The Chairman: According to Mr. Tate's evidence, there was \$2,000,000 which went into the Development Company, and he said they expected to make \$10,000,000 out of it.

Mr. Tate: If the war had not broken out.

Mr. Maclean: It would have gone into the construction of the railway.

Mr. Taylor: As a matter of fact, the P.G.E.R. up to date has cost them, or the Development Company has cost them up to date, \$207,000, and they have only made one small sale of \$850,000; and they have not got paid for that yet.

Mr. Maclean: They have not sold anything except to the Railway Company.

Mr. Taylor: We are talking about the construction of the Pacific Great Eastern and what it would have cost to the Government if they had gone to work and built it in the same way that P. Welch built it; this Government might have gone in for other investments, in Spokane City and elsewhere.

Mr. Maclean: They would have to pay profits to the contractors, wouldn't they?

Mr. Taylor: And they would have made this profit of over \$4,000,000.

Mr. White: 10 per cent. of that has not been received.

Mr. Taylor: That leaves, Mr. Chairman, the balance-sheet, pages 3, 4, and 5, and the trial balance-sheet, 6 to 10, to be gone into. On the balance-sheet I will just ask you, Mr. Kaufman, does the balance-sheet show that there was a profit of \$4,787,633.19? A.—According to the balance-sheet, yes.

Q.—And that is the profit as shown on your construction balance-sheet? A.—That is the profit as shown.

Mr. Shatford: I take it now that this statement is going to be checked by the auditors, because the figures submitted by Mr. Townsend (auditor) the other day show a difference of over \$2,000,000, between \$2,000,000 and \$3,000,000; I would certainly hope that this statement should be checked by the auditors.

Mr. Taylor: Mr. Townsend's statement, we have got in as one Exhibit—

Mr. Townsend: It is Exhibit 191.

Mr. Taylor: And that statement was prepared from the vouchers with the assistance of the books, and we understand that it should show more than the \$7,000,000.

The Chairman: That statement does not take into consideration the store accounts.

Mr. Taylor: It did not take in those profits at all, which will be added to it. There is still a difference, as Mr. Shatford has very properly said, of about \$2,000,000 and over; \$2,500,000 between what our auditors say should be the profits and what these exhibits filed by Mr. Welch now show to be the profits. The statement is taken from the vouchers, with the assistance of this Exhibit 206 prepared by P. Welch. The auditors should now be able to arrive at an exact conclusion, with the books here which they did not have at that time—the books and the vouchers,

Inquiry adjourned to 10.30 a.m. of the following morning, Thursday, April 12th, 1917.

TWENTY-THIRD SESSION.

THURSDAY, April 12th, 1917.

The Committee of Inquiry herein met at 10.30 a.m. pursuant to adjournment.

The Chairman: There is a quorum here, and we will proceed now. We will not read the minutes.

E. C. KAUFMAN and E. F. WHITE, witnesses.

Mr. Taylor: What is the last exhibit—208 apparently. I file at Mr. Tate's request the monthly financial statement—from April 30th, 1912, to February 28th, 1917. It will be of great assistance, probably, to the auditors.

The Secretary: Whose property is that?

Mr. Taylor: Mr. Tate's. The Pacific Great Eastern Railway Company's; and these are the monthly financial statements of the Company showing the whole transaction from month to month. This will be Exhibit 209.

The Chairman: From 1909 down?

Mr. Taylor: Yes, from the very beginning.

Mr. Maclean: To what date?

Mr. Taylor: To February 28th, 1917.

Mr. Taylor: Do I understand that the second item on Exhibit 206—"Less cost of work, \$11,357,733," is the total cost of the work; it is intended to be the cost of the work—whether P. Welch has been paid for it or not?

E. F. White (witness). Just explain that to Mr. Taylor.

(E. C. Kaufman, witness.)

A.—You want to know if this is the total cost of the work?

Mr. Taylor: Yes, exactly. A.—Yes, the total direct cost.

Q.—It is \$11,357,733, whether P. Welch has been paid for it or not? A.—Yes.

Q.—Now, we have got that, I trust, definitely. Therefore if it be true that he has done \$1,800,000-odd—I don't know where that memo. is that I had last night—it was \$1,800,000-odd, making a total of some \$18,000,000 and something—

Mr. Davis: The explanation is the profit is only on the steel put in, and not on steel in the extra work.

The Chairman: Is the profit on that \$1,800,000 shown there?

Mr. Davis: The profit on extra work is shown in those items; but the gross cost of the steel and the gross cost of the work is not shown in the \$11,000,000.

Mr. Taylor: If the gross cost of the steel is not included in the \$11,357,733, you have answered my first question wrongly. My question is, that \$11,357,733 includes all that the construction-work has cost P. Welch, whether he has been paid for it or not? A.—That is for the grading-work, as we stated last night.

Q.—Not for the steel? A.—Not for the steel.

Q.—Has there been any profit on the steel? A.—Yes—less handling expenses not charged—

Q.—Well, you say, so far as this statement is concerned, we can eliminate the steel entirely, because it is on either side of the account. It is not in the \$16,000,000 and it is not in the \$11,000,000—the cost of the steel? A.—No.

Q.—So we can eliminate it as a cross-entry? A.—Yes.

Q.—What else is there in that \$1,800,000 we had last night? What else is included beside the cost of the steel? A.—The extra work.

Q.—How much of that \$1,800,000-odd is the cost of the steel?

Mr. Davis: That is shown on Exhibit 64—\$1,695,000.

Mr. Taylor: Exhibit 64 is so indefinite. It was only made up approximately. Possibly we had better have it first-hand now.

Q.—Would looking at Exhibit 64 assist you in giving that figure, so that you can swear to it definitely and independently of Exhibit 64? If you cannot swear to it definitely after looking at Exhibit 64, I don't want the answer at all. Now, those figures we had last night? A.—\$174,230.01.

Q.—For what? A.—Extra work.

Mr. Davis: Speak out loudly so that we can hear you.

Mr. Taylor: The extra work, \$174,230.01. And the steel is how much?

(E. F. White, witness.)

A.—It will be the difference between those two. You have them there.

E. C. Kaufman: Here it is right here—\$1,664,965.01.

Mr. Taylor: That is right. Those two make up the two items not included in the \$16,475,630.42; that is right, isn't it?

E. F. White: Yes, sir.

Mr. Taylor: That sum not included is \$1,839,195.01? A.—2 cents.

Q.—And 2 cents? A.—Yes, 2 cents.

Q.—Which added to the \$16,475,630.42 makes a total of \$18,314,825.44.

The Chairman: That shows what P. Welch should get if he got all the payments that were due him?

Mr. Taylor: Yes; it makes a total of \$18,314,825.44.

The Chairman: What do you get as the difference?

Mr. Taylor: \$174,230.01 is the difference between the cost of steel, which is \$1,664,965.01, and \$1,839,195.02, which is the amount that P. Welch has expended in addition to the \$16,475,630.42, which is the first line of page 1 of Exhibit 206, and represents the cash he received on the estimates of the Pacific Great Eastern Railway. The Government has paid

everything; but he, according to this form of book-keeping, has not received \$1,839,195.02. Now, I want to deal with that. You may not know anything about this, but Mr. Welch and Mr. Tate would. Do you know, as a matter of fact—you filed the pay-sheets last night; do you know, as a matter of fact, that those pay-sheets show the Pacific Great Eastern have paid that \$1,839,195.02 to Welch? They show that it has been paid? A.—Yes, they may show that.

Q.—They do show it, don't they, Mr. White? A.—Yes, they do show it.

Q.—So so far as the Pacific Great Eastern Railway and Welch are concerned, they have been paid? A.—Well, you see, the books take into account that P. Welch is the contractor for the Pacific Great Eastern Railway, and they would only show the cash we received; and if any portion of this has passed between Mr. Tate and the Government, it would be a matter between their office—

Q.—Yes; it is a matter of book-keeping entirely. A.—And we would have no record of that.

Q.—You mean to say, as a matter of keeping the contractors' books, that you were not meddling with what Mr. P. Welch and Foley & Stewart were doing? A.—The books would show what cash we received.

Q.—But they in their separate name, however—called the Pacific Great Eastern Railway—got from the Government over \$18,000,000, and they have only distributed \$16,475,630.42 to their contract; that is what it means, isn't it? A.—What are the first figures you mention? I have not gone into it, and I don't know.

Q.—I will tell you that is correct. That is simply a matter of distribution. A.—Yes.

Q.—And it is a wrong thing to say that P. Welch has not received it in some capacity or another if that be true? It is misleading to say that P. Welch has not received it simply because you happen to keep Foley Bros., Welch & Stewart's contract in that particular shape. You received it, but you have not put it into that particular set of books; that is all it means, isn't it? Well, perhaps that is argument. I will not ask you to answer it. Now, some of the other members of the Committee will want to ask you several other questions, and as I have to leave for a while I want to ask you a few general questions before I go. In the first place, Mr. White, are you a British subject or an American citizen? A.—Why, I am an American citizen.

Q.—And Mr. Kaufman, are you an American citizen or a British subject?

Mr. Kaufman (witness): I am an American citizen.

Mr. Taylor: Apparently, Mr. Chairman, there are more than the auditors here who are not Canadians. We have not struck a Canadian yet, I don't think, on the P.G.E.—not on the P.G.E.—but among the directors.

Q.—You were a director, however, of the P.G.E. Railway, Mr. White? A.—Yes.

Q.—And you are yet? A.—I am.

Q.—You took Mr. Welch's place when he resigned to take the contract in his own name, but really for the other directors and himself? A.—No; as I understand it, I took the place of either Mr. McLeod or Mr. Smith.

Q.—You held Mr. Welch's power of attorney and signed all the cheques while you were a director of the Pacific Great Eastern? A.—I did.

Q.—As a matter of fact, you signed all the cheques in regard to this contract? A.—I did.

Q.—You were also a partner in some of the sub-contracts; is that right? A.—It is.

Q.—Who were you a partner with in some of the sub-contracts? A.—Why, I have been interested with Mr. Kellett and Mr. Rankin since about 1904.

Q.—I am not asking you the history of it; but I want to know how many sub-contractors were you interested with in this work? A.—I was interested with D. A. Rankin—Kellett & Rankin, in their sub-contract; and then the Northern contract of Byrnes, Jordan & Co.

Q.—Now, you were never with Byrnes, Jordan & Co. before, were you, until this Pacific Great Eastern construction began? A.—Yes; I was with them on the Grand Trunk Pacific.

Q.—As a partner? A.—Yes, as a partner. It was Rankin, Kellett & White.

Q.—You were with Rankin, Kellett & White on the G.T.P.? A.—Yes; and we had an interest with Byrnes, Jordan & Co. on the Pacific Great Eastern.

Q.—Well, it was not Kellett & Rankin? A.—No.

Q.—If your name was in that firm on the G.T.P., why did you drop your name out when you started to build for the Pacific Great Eastern; and you still retained your interest? A.—It was not in my name.

Q.—Oh, I thought it was. A.—No; Rankin, Kellett & White were the partners, but my name has never been connected with the firm-name.

Q.—How much were you getting as salary from this firm or the Pacific Great Eastern Railway, outside of your interest in those sub-contracts? A.—I got \$500 from Mr. Welch.

Q.—That was from whom? A.—From P. Welch.

Q.—That is Foley, Welch & Stewart—that is now admitted? A.—Yes.

Q.—And then you were doing sub-contract work at the same time. How many thousands of dollars did you pull down as your interest in the sub-contracts? A.—Possibly in the neighbourhood of \$24,000 or \$25,000.

Q.—During all the time? A.—Four and a half years.

Q.—Nothing more? A.—No; approximately that.

Q.—Had you any interest in any other way in carrying out anything that was connected with the Pacific Great Eastern construction? A.—No, not a thing.

Q.—Nothing else? A.—No.

Q.—And you remained a director all the time on the Pacific Great Eastern Railway? A.—Well, I was a contractor before. I was interested in these contracts that I told you of—I think it was in 1905—either 1905 or 1904.

Q.—Did you divide your profits that you got from these sub-contracts with any person else—these \$24,000 or \$25,000? A.—Yes.

Q.—Who did you divide that \$24,000 or \$25,000 with? A.—On the D. A. Rankin contract, Mr. Macgowan was a partner.

Q.—Who was he? A.—A member.

Q.—A member of what? A.—He was a member of the House.

Q.—Of the Legislature here? A.—Yes.

Q.—Oh! A.—I knew nothing about that. Mr. Kellett took him to Mr. Welch—

Q.—You knew nothing about it, but you had to divide the profit with Mr. Macgowan. What is his first name? A.—Mr. Kellett made the arrangement.

Q.—Well, that was Mr. Macgowan, of Vancouver? A.—Yes.

Q.—He was a member of the House last session? A.—Yes.

Q.—What is his first name? A.—I don't know.

The Chairman: A. H. B.

Witness: The cheques will show it.

Mr. Taylor: How much did Mr. A. H. B. Macgowan get out of these sub-contracts? A.—Out of that particular one—that is the only one I knew of that he was interested in—it must have been something like \$9,000.

Q.—He took no part in that sub-contract work, did he? A.—No, he did not. No, he did not.

Q.—What was that intended to be used for—that \$9,000? A.—I don't know.

Q.—Did he invest any money in your partnership? A.—No, he did not.

Q.—He invested no money and took no part in it, and he pulled down \$9,000. Now, what right had Mr. Macgowan, a member of the last Legislature, and on the Conservative side of the House, to take any money out of those sub-contracts of the Pacific Great Eastern? A.—Well, as I understand, the way it came out was, he and Mr. Murchison applied to Mr. Welch for a sub-contract, and he had nothing left to give him; evidently he must have seen Mr. Kellett and Mr. Rankin; Mr. Kellett came to me and told me that he had taken him in as a partner.

Q.—Now, do you know of any other members of the Legislature in the last session having any interest in any sub-contractor? A.—No.

Q.—Did you never hear of it? A.—No.

Q.—You would have known? Some one would tell you, Mr. White, why Mr. Macgowan must be in on your sub-contract? A.—Well, I have no particular reason. I don't know of any. As I told you, Mr. Kellett was the man who arranged it.

Q.—Did you ever discuss the matter with Mr. P. Welch? A.—Just informally.

Q.—I don't care whether it was informally or formally. You discussed it. What did Mr. P. Welch say to you about it? You are on oath. What did Mr. Welch say to you about it? I want the whole thing? A.—Well, Mr. Murchison came to him with Mr. Macgowan; it was either separately or together.

Q.—I am asking you what Mr. Welch told you? A.—Yes. He said they applied to him for a contract, and he said he had nothing left to give them. The work had all been let; and later

on Mr. Kellett came to me and told me he had agreed to take Mr. Macgowan in with us on that first contract.

Q.—Yes. Why? A.—Well, I don't know why.

Q.—Weren't you told why? A.—No, I was not.

Q.—Weren't you given a wink? A.—No.

Q.—Weren't you given a hint? A.—No.

Q.—But you know now. I will put it to you straight—you know, don't you, now. You have had some intimation that it was for political purposes, haven't you? A.—Well, I wouldn't have any further than he being a member of the Legislature.

Q.—I am putting it to you straight, and you are on oath. Hadn't you some intimation from some person that that money was to be used for political or campaign purposes for the Conservative party? A.—No, I had not.

Q.—You had no intimation of that? A.—No, I had not. He was simply taken in as a member of the firm.

Q.—Do you give away interests in your business because some person says they must come in, and invest no money, and do no work, and get a large amount of \$9,000 out of your \$24,000? Do you do that sort of thing without some person telling you the reason of it? A.—Well, I was told no reason for it, Mr. Taylor.

Q.—You were told no reason? A.—No.

Q.—Did you ever talk to Mr. Macgowan and ask him why he should get \$9,000? A.—No.

Q.—Did you make out the cheque to him personally? A.—The cheque was made out to him personally, and signed by P. Welch.

Q.—I would like to have those cheques produced.

Mr. Kaufman: They are in the Committee-room.

Mr. Taylor: Would some person mind getting those cheques for me?

Mr. Kaufman: It might take some little time.

Mr. Taylor: Well, I think we had better have a session to get those cheques produced.

Q.—Have you ever seen any letter or anything like that from Mr. Macgowan?

(E. F. White, witness.)

A.—How do you mean?

Q.—On the subject? A.—No.

Q.—Mr. Chairman, I will have to ask you to allow me to retire for a while, and Mr. Hanes wants to conduct the examination of Mr. White in the meantime, and I can take up this subject-matter afterwards, and those cheques will be here at that time. (Retired from room.)

Mr. Shatford: Now, Mr. White, in connection with this money—in connection with the money that Mr. Macgowan was supposed to have received; was that from the Pacific Great Eastern Railway work, or the Grand Trunk Pacific? A.—The P.G.E. work.

Mr. Hanes: Shall I go ahead, Mr. Chairman?

The Chairman: Yes, go ahead.

Mr. Hanes: Mr. White, I asked you last night if Mr. P. Welch had a note from the Railway Company to cover the interest to the Union Bank of \$382,000? A.—No. We have just the note—

The Chairman: A little louder, Mr. White.

Witness: We have a note for \$245,000, a part of the balance due yet on the estimates.

Mr. Hanes: I see by a minute here—I just want to ask you about this—I see by a minute of the directors of the Pacific Great Eastern Railway held on February 16th, 1917, there were two directors present—namely, D'Arcy Tate, K.C., and E. F. White; and the balance were represented by proxies. (Reading.) "Upon motion duly moved, seconded, and carried, it was resolved that the Company at once issue a note in favour of P. Welch for the amount advanced by him in payment of interest on the loan of \$4,800,000 made to the Company by the Union Bank of Canada, the said note to be payable on demand as from November 30th, 1916, and to bear interest at the rate of 6 per cent. per annum." Did you receive that? A.—We never received the note. The note has not been issued.

Q.—Well, surely— A.—The note was never issued, Mr. Hanes.

Q.—Well, this is the authority for Mr. Welch to be repaid? A.—Yes, but there was no note issued.

Q.—Well, if this note was issued under that motion and Mr. P. Welch would be reimbursed, there would be that much more profit added on to that statement, wouldn't there? A.—Yes; if the note had been paid, yes.

Mr. Maclean: It did not always happen, though.

Mr. Hanes: Well, when did you become a director of the Pacific Great Eastern Railway? A.—Well, I don't remember the date.

Q.—Well, how did you buy the stock in this Company? A.—Mr. Stewart probably paid for the stock.

Q.—You did not pay for it yourself? A.—No.

Q.—You did not pay anything for it? A.—I beg your pardon?

Q.—You did not pay anything for it? A.—No.

Q.—Well, have you the stock certificate? A.—I beg your pardon?

Q.—Have you the stock certificate? A.—No, I have not. It must be—Mr. Tate could tell you about it. I haven't got it.

Q.—Well, could you tell the Committee approximately how much money Mr. Fred Wilson, one of the directors, received out of sub-contracts? A.—Do you remember that amount? (Addressing Mr. Kaufman.)

Mr. Kaufman: I don't know.

The Chairman: What is that question again?

Mr. Hanes: I want to know whether he can tell the Committee how much money Mr. Fred Wilson received out of the sub-contracts. He was one of the directors? A.—I don't recollect. The sheets covering the payment are here. However, it was something in the neighbourhood of \$12,000 or \$14,000, I think.

The Chairman: How much? A.—\$12,000 or \$14,000, I think; but I am not sure. The sheets are all on file here and the books.

The Chairman: If I might interrupt you there. Did Mr. Wilson devote any time to sub-contracts himself? A.—I beg your pardon?

Q.—Did Mr. Wilson devote any time to sub-contracts himself? A.—Well, not very much.

Q.—Well, he was under salary too, wasn't he? A.—Yes.

Q.—From the Company? A.—Yes.

Q.—What was his salary? A.—\$500 a month with the Railway Company.

Q.—Well, what did he contribute to entitle him to that share in the sub-contract? A.—I don't know that he contributed anything.

Q.—Well, what did you contribute that entitled you to your share in these contracts? A.—Well, I have been working for Mr. Welch for twenty-five or twenty-six years; and I have given him the best part of my life. I have worked for him hard from the beginning right up until to-day. I have worked from 6 o'clock in the morning until 11 and 12 o'clock at night. And, Mr. Farris, that was not done with the idea of simply getting a small salary. I had an ultimate object in view of making myself of sufficient value to warrant something more than a mere salary; and I think the little money I have earned on the Pacific Great Eastern is not more than I am entitled to, and not enough. I am entitled to more money even though I did not put in anything. My time and my life is worth something; and the \$24,000 or \$25,000 that I made in those four and a half years I consider to be absolutely nothing in the way of payment for what I have done; even though I put in no money, I put in my time, which is more than money.

Q.—Well, with regard to Mr. Wilson, you say that argument would not apply? A.—Well, I don't know about Mr. Wilson. I could not vouch for anything in his connection.

Mr. Hanes: Well, as a director of the Company, did you know that— A.—I beg your pardon?

Q.—As a director of the Company, did you know that a director under the "Railway Act" could not be interested in a contract, either directly or indirectly? A.—No, I did not.

Q.—Well, now, I notice here in the minutes of the meetings of directors of the Pacific Great Eastern Railway held on February 16th, 1917, in which it is reported here that Mr. D'Arcy Tate and Mr. E. F. White were present, and the balance of the directors by proxy, there was a motion to this effect: "Upon motion duly moved, seconded, and carried, it was resolved that, whereas D'Arcy Tate was appointed vice-president and general counsel, with an allowance for services of \$600 per month, and for expenses of \$400 per month, as from April 1st, 1912." That was a

resolution put through at that meeting. Now, why did you put that resolution through in February, 1917, appointing Mr. Tate as from April 1st, 1912? A.—I could not explain those things.

The Chairman: A little louder, Mr. White. A little louder.

Witness: I could not explain that. That is something that Mr. Tate would have to explain, Mr. Hanes.

Mr. Hanes: Well, there were only two directors present on that occasion, and you were one of them? A.—Yes.

Q.—Well, have you been an active director in this, or has your name only been used? A.—I was an active member, Mr. Hanes.

Q.—Now, regarding the Pacific Great Eastern Development Company's affairs, there was a statement or a balance-sheet filed here by Mr. Thomas, and it was stated that you had prepared that. Are you the treasurer of the Development Company? A.—Yes.

Q.—What was meant in that statement by certain contributions being made, or subscriptions, say, to the Royal Victoria Theatre. What bearing has that here? A.—Well, we have a stock certificate for that. There was a purchase made of a stock certificate.

There was a purchase of stock? A.—Yes; and we have the stock certificate.

Mr. Maclean: That was to help on the good work of building an opera-house here. They did not make much money out of that. A.—No; there has been no dividend declared yet.

Mr. Pooley: We will sell you that stock for a small price.

Mr. Maclean: I have one share I would like to sell.

Mr. Hanes: Now, in regard to the Mission Indian Reserve, can you tell me, as a director of the Company, if you have paid the Indians for the right-of-way through the Mission Indian Reserve?

Mr. Pooley: You mean the Development or the Railway Company?

Mr. Hanes: I mean the Railway Company.

Q.—Did the Railway Company pay the Indians or the Dominion Government for the right-of-way through the Indian reserve in North Vancouver? A.—Well, I could not tell you unless I have that schedule. We have a certain note—

Mr. Maclean: We have evidence here that somebody paid them. There was \$25,000 paid.

Mr. Tate: No; this is the Mission Reserve.

Mr. Hanes: The statement filed here shows \$6,000 paid by the Government to the Railway Company for the right-of-way through the Mission Reserve in North Vancouver.

Mr. Maclean: Well, the Indians have been paid this.

Mr. Tate: Yes.

Mr. Hanes: They have not. That is what I want to know.

Mr. Tate: Well, we paid the Department at Ottawa.

Mr. Hanes: That is sufficient.

Q.—Now, in speaking of the Development Company's affairs again, did the Development Company pay the Provincial Government for a reversionary interest in those lands at Squamish that they purchased from the Dominion Government? A.—I think so; I could not remember all those items. We have vouchers for all those items on file, Mr. Hanes.

Mr. Maclean: I think that is what I was thinking of. We have had evidence here already that the Provincial Government was paid \$25,000 for a reversionary interest in that.

Mr. Hanes: I know. I am simply asking Mr. White if the Development Company paid the Government that amount—that \$25,000? A.—Well, there was a payment made, and I think that must be it.

Mr. Hall: I cannot hear you down here.

Witness (E. F. White): There are vouchers—I cannot remember all those items. The vouchers are here, and they can be substantiated.

Mr. Hall: But what did Mr. Maclean say?

Mr. Maclean: I said that the Provincial Government have been paid \$25,000 for a reversionary interest, either by the Development Company or the Railway Company.

Mr. Tate: The Railway Company paid that, and then the Development Company reimbursed the Railway Company the next day.

Mr. Hall: What is that?

Mr. Tate: The Railway Company reimbursed the Development Company the next day. I think the dates of that were June 10th and June 11th.

Mr. Hanes: Was that paid back by cheque?

Mr. Tate: Yes. Mr. Thomas will give you the cheques for that if you want them.

Mr. Hanes: Mr. Chairman, just before we go any further, I might say that the Committee has passed a resolution for the Pacific Great Eastern Railway Company's books to be filed with the Committee. I will ask Mr. Tate to file those with us now.

Mr. Tate: They were on file here weeks ago.

Mr. Thomas: They are all here, but they were not filed.

Mr. Hanes: Just a moment. I am asking the Chairman very politely if he will ask Mr. Tate to have the Pacific Great Eastern Company's books and vouchers filed so that any member of the Committee may have reference to them.

Mr. Tate: They are all filed.

The Chairman: Well, what number shall we call them.

Mr. Maclean: Call it Exhibit 210.

The Chairman: Where are they?

Witness (E. F. White): In the next room.

Mr. Maclean: The books and anything else. The books of account and vouchers.

The Chairman: Better mark the books as one exhibit and the vouchers as another.

Mr. Maclean: It will be Exhibit 210—the books of the Development Company.

Mr. Hanes: No; I am speaking of the books of the Pacific Great Eastern Railway Company.

Mr. Davis: Those are filed already. Mr. Taylor put in the whole bunch yesterday as an exhibit.

The Chairman: Those are the ones that P. Welch put in, and these are the Pacific Great Eastern Railway Company's books I want.

Mr. Davis: Yes. I beg your pardon.

Mr. Tate: They are all in the next room, anyway.

Mr. Maclean: Do you want all the books and vouchers of the Pacific Great Eastern Railway Company put in as an exhibit?

Mr. Hanes: Yes.

Mr. Maclean: Well, Exhibit 210 will be the books of account of the Pacific Great Eastern Railway, and 211 will be the vouchers of the Pacific Great Eastern Railway.

The Chairman: Well, are you through now, Mr. Hanes?

Mr. Hanes: No. Well, those are filed, are they?

The Chairman: The Secretary will mark them as an exhibit. They are officially and technically in.

Mr. Hanes: Well, Mr. White, as a director of this Company, and being connected with the construction department, I take it that you are familiar with all the details of the construction end of it. And I have a letter here on the letter file regarding the employment of persons in connection with the Railway Company, and I want to read this letter. There are two letters, and I want to ask you if those letters are correct so far as you know. There is a letter here dated March 1st, 1916, from the Minister of Railways to D'Arcy Tate, Vice-President of the Pacific Great Eastern Railway:—

"DEAR SIR,—Complaint has been made to this Department that the following officials or employees of your road are aliens: A. W. Hudeke, superintendent; A. W. White, dispatcher; Dutch Dearson, clerk; E. Palmer, engineer; B. Austin, engineer; H. Reifka, conductor; J. Manny, conductor; C. Trollenger, brakeman; W. Waisman, brakeman; C. Conley, brakeman; H. Dow, brakeman; H. Brightbill, brakeman.

"It is also reported that the blacksmith and his helper in the Squamish shop are aliens and strongly pro-German, and that the office staff in Lillooet are mostly Americans.

"It has been represented to this Department that in view of the fact that the British Columbia Government are much interested in the Pacific Great Eastern Railway, and that as there are a sufficient number of capable railroad-men who are British subjects and out of employment, it would be as well to give them the preference.

"I would be glad if you would inquire into this matter."

Q.—Now, from what you know of the employees, is that letter fairly correct? A.—That letter is with reference to Mr. Sperry's department. They are all Mr. Sperry's employees. And

while I knew some of them are Americans, I don't know anything about any of the rest of them. Mr. Sperry can vouch for their nationality, I think.

Q.—Now, would you give the Committee a list of the employees in your office, and their nationality? A.—Mr. E. W. and E. C. Goglan are Americans; Mr. Wiseman is an American; Mr. Behnson is a Canadian; and Robert Wilson, he is a Canadian.

Mr. Kaufman: A Scotchman, I think. A Canadian or a Scotchman.

Witness (E. F. White): He is a British subject, anyway; but I don't know whether he was born in Canada or not.

Mr. Maclean: But he is a British subject? A.—Yes. And G. R., or G. C. Russell; no—D. R. Campbell, a Canadian, and D. C. Pennington, an American.

The Chairman: You see, this was after the date of the reciprocity election.

Mr. Hanes: Well, I just want to know what the organization was composed of.

Witness (E. F. White): And there is a Mr. Williams. He is an American subject; and W. H. Thomson, an American. I guess that is all. O. P. Allerton—he is an American. I think that is all. Those are all the employees we have at present.

Q.—Do you know what time Mr. Taylor will be back, Mr. Chairman?

The Chairman: No. Are you through, Mr. Hanes?

Mr. Hanes: Yes.

Mr. Davis: I have some questions I want to ask Mr. White and Mr. Kaufman.

The Chairman: Well, I just want to get this off my mind. The boy has handed them to me. There are six cheques here.

Mr. Maclean: Are you putting them in as one exhibit?

The Chairman: Yes. They are cheques made by P. Welch in favour of A. H. B. Macgowan, dated from August 7th, 1914—various dates to January 11th, 1915.

Mr. Maclean: Amounting to what?

The Chairman: It will be Exhibit what?

The Secretary: Exhibit 212.

The Chairman: Amounting to a little over \$7,500.

Mr. Shatford: \$7,509.

Mr. Hall: \$7,509.67. Possibly it might be more convenient if I ask Mr. White this one question. In Exhibit 64—

Mr. White (witness): I beg your pardon?

Q.—In Exhibit 64, the statement which you prepared showing Mr. Welch's expenditures in connection with the operating department as being \$590,606.06, as I remember, we have a statement from Mr. Sperry yesterday in which he showed a loss on the operation department in the neighbourhood of \$70,000. Now, how was that difference made up?

A.—I don't know anything about that. Mr. Kaufman made up the last statement, and the other would have to be explained by Mr. Wiseman.

Mr. Davis: Now, Mr. Kaufman, will you please take that Exhibit 206 which is lying there? There are some questions I want to ask you about that. Now, in the first place, the first item that is mentioned reads as follows. We have had a good deal of misunderstanding about this last night, and I want to get it cleared up. It reads: "Total amount of estimate"—it should be "estimates," I suppose—\$16,475,630.42. You heard what I read, did you? A.—Yes.

Q.—It is the first item there? A.—Yes.

Q.—What is that statement off? A.—The total amount of estimates.

Q.—Has it anything whatever to do with the amount of cash received from the Government? I mean, does it purport to be or is it as a fact a statement of cash received at all? A.—No, no.

Q.—Well, that is what caused all the trouble last night. That is not a statement of cash received by the Railway Company—or by the contractors, at least. This is a statement of estimates passed in their favour? A.—Yes.

Q.—And, in addition to the estimates mentioned, there are to be added the estimates for steel and for extra work? A.—Yes.

Q.—And when you include in that the estimates for steel and extra work, you then have a statement of all the estimates issued in favour of P. Welch and Company? A.—That is correct.

Q.—It has no connection with the money received from the Government—the \$16,422,000. There is no mistake. Last night there was an idea that there was a mistake of \$53,000, and that

is not so. This is not a statement of cash received; this is a statement of estimates, and of profits made up of every sort and description by P. Welch. That is correct, is it not? A.—That is correct.

Q.—And the showing that is made here of \$4,787,663.19 on page 2 of Exhibit 206 is a statement of all the profits made by P. Welch on that contract, whether paid or not paid? A.—That is our book profits.

Q.—That is the book profit—a paper profit, in other words? A.—Yes.

Q.—Now, then, I want to see what has become of that \$4,787,663.19: In the first place, how much of that \$4,787,663.19 does the P.G.E. still owe to P. Welch; in other words, that has not yet been paid at all? A.—They owe on estimates \$1,647,563.02.

Q.—Now, that is to be found on page 3 of this statement? A.—Yes.

The Chairman: Now, Mr. Davis, why shouldn't you add that \$1,000,000 on?

Mr. Davis: No. The \$4,000,000 is after the \$1,000,000 is added. The \$4,000,000 is net, on page 2. You see, I want to try and get this thing straight. There is not any question as to what the facts are.

The Chairman: Go on. I don't want to interrupt you.

Mr. Davis: I don't mean that at all. You see, the \$4,787,663 is the net total profit on the whole transaction, including moneys not yet received; and I am going on now to show that.

The Chairman: This was my difficulty. In addition to this \$4,787,000, there was the steel and the extra work.

Mr. Davis: No. That is where all this confusion has arisen.

The Chairman: Well, when you talk of the shortage that P. Welch has not got—if you eliminate what Welch owed on that \$1,700,000 item—there is not another \$1,000,000, is there?

Mr. Davis: I don't quite get that. The steel has been paid for. The steel and the extra work are included in the estimates. What would have been a much simpler way would have been if they had said, "Total amount of estimates, \$16,000,000 and something"; and that would have included the steel, which was extra expenditure, and the extra work, which was an extra expenditure. But what they have done is this: They have shown merely the profit on the steel. They have not shown the steel—merely the profit, which is this \$13,000—the last item on the page of "profit." Instead of showing the total amount of the extra work, they have shown merely the profit on the extra work before they have been paid for the extra work in those other estimates, which are not included here; and the estimates mentioned here, \$16,475,630.42—that is the total estimate received by P. Welch, except the estimates for steel and extra work which have been paid for and which are not included here. Merely the profits on those are included here; and the important thing is, that first item is not a statement of cash received at all. It has nothing to do with cash, you see. It bears no relation to that statement of \$16,422,000 cash received that is contained in Exhibit 64 and Exhibit 174. It bears no relation to that \$16,422,000. It simply happens that it is within \$53,000 of it, and that has caused the confusion.

The Chairman: That is, the \$16,422,000 shown in Exhibit 64 includes the work, and this does not include it?

Mr. Davis: Yes. And these are estimates which don't include the estimates for steel and extra work. I can see that everybody was misled last night; and even these men were. They certainly did state it was cash received, and it is not.

The Chairman: All right; go on. I have your idea.

Mr. Davis: And the cheques are here from the P.G.E. Company.

Q.—Now, I was just coming to the amount that I was going to deal with—the \$4,787,663.19—the paper profit I refer to. Now, that amount in the first place Mr. Callaghan has stated there is still due from the P.G.E. Railway, which you will find on page 3 of Exhibit 206—the fourth item. It is headed "Balance-sheet Assets"—the third page, fourth item, which he has just stated is still due from the Pacific Great Eastern Company on account of estimate, \$1,647,563. Now, in addition to that, Mr. Kaufman, I see that on that page, bills collectable, the third item on page 3; one of those bills, I understand, is a note from the Pacific Great Eastern Railway with Mr. Welch; that is correct? A.—That is correct.

Q.—That note was given for what? A.—For estimate.

Q.—On account of estimates? A.—On account of estimates.

Q.—And the amount of the note is what? A.—\$245,000.

Q.—Is that \$245,000—even? A.—Yes.

Q.—So that you say there is still due from the Pacific Great Eastern Railway nearly \$1,900,000 on account of estimates for this work; that is, the \$2,000,000 that I was talking about last night—roughly, \$2,000,000. Now the first item on page 3 is an item meaning what? A.—Cash in bank.

Q.—\$480,275. That is, cash lying in the bank unused to the credit of P. Welch? A.—Yes.

Q.—I merely want to know to show that it is in the bank; it is in the Union Bank to the credit of P. Welch? A.—Yes.

Q.—Another thing—

Mr. Hall: Before you pass on to that; the money in the Union Bank—are those moneys received by him from the Railway Company? A.—Oh, yes; that is a part of the \$16,000,000 that has been received from the Government.

Mr. Davis: I am now merely going to account for these moneys that have been received, and to show that we have not only spent them all, but put some of our own money in it, about \$100,000, as I have said in our statement before. Now, one of those items in those bills collectable is a note from what firm, a rather large note? A.—Lloyd Allan & Stewart.

Q.—What is the amount of that note? A.—\$150,000.

Q.—What I understand is that if required it could be turned into cash at any minute, just the same as if it was in the bank; it is there just the same as cash. Now, the amount put into the Pacific Great Eastern Development Company—

The Chairman: Before you leave that subject, for a moment; he is a lumberman over in the States, isn't he—Lloyd Allan? A.—I think so, yes; and they have a business in Vancouver there.

Q.—I understand that he is a big lumberman in the State of Washington? A.—Yes.

Q.—And he has operated with Stewart & Welch? A.—Yes.

Q.—A big operator in lumber up the Coast? A.—Yes.

Q.—How do they come to be dealing with the assets or moneys connected with the Pacific Great Eastern Railway Company? A.—Well, they were in the market for a loan, and they paid interest on it, and the interest is on the books as an item of profit.

Mr. Davis: You mean that it is merely a loan? A.—Merely a loan.

The Chairman: Mr. White, what I do not understand is, here is the Railroad Company that, as far as we can understand, was unable to carry on the work, was unable to carry out its covenants with the Government to supply the additional money necessary to complete that road, with the result that they got the Government to pay out moneys to them in excess of the amount secured by the trust funds; how can that be consistent with the fact that these moneys were being loaned to an independent lumber company?

Mr. White: Well, I simply had instructions to give it to him, and understood it was something that came from the firm.

Mr. Davis: What was the rate of interest that was obtained? A.—6 per cent.; the interest would be something like \$22,000 quarterly.

The Chairman: When was that money advanced? A.—It must have been almost two years ago; I think, two years ago next June.

Q.—Would that bring us back to about the time when Mr. Tafe was interested in the matter, and when he said that they would have to stop the work if the Government didn't come through; wasn't that about the time when there was some suggestion of having the work shut down? A.—I don't know about that; but the records will show the exact date whenever it was; there were two or three advances made.

The Chairman: I would like to get the exact date of the advances.

Mr. White: You do not show that date (to Mr. Kaufman)?

Mr. Kaufman: No, I have not got the date.

Mr. Davis: Is there any question, however, as to the note being perfectly good? A.—None at all.

Q.—And payable in full? A.—None at all.

The Chairman: Well, now, get me some date whenever any of the money was advanced.

Mr. Davis: What amount has been put by P. Welch into the Pacific Great Eastern Development Company, Mr. Kaufman? A.—\$1,697,523.19.

Q.—As shown in the fourth item of page 3 of Exhibit 206? A.—That is the fifth item.

Q.—The question of whether that is a part of P. Welch or not, and whether it is there for the work or not, is a matter of argument; I am merely showing where this money is. The

amount put into the Pacific Great Eastern Equipment Company by P. Welch is what amount?
A.—\$722,336.19.

Q.—The same remark applies to that; it is a matter of argument as to whether that is a part of the railway or not; we can have the necessary statements made, and soon, but I do not intend to take up time in that way now. What is the amount of these various items?
A.—The total amount.

Q.—Do you know as to the capital stock being held so as to be available for the Government or anybody? The account of these six items; I will add them up, and you can add them up too. That is approximately \$4,870,697 so far as I can make it. A.—I have \$4,920,000; I will just recheck these figures.

Q.—Yes, check it again; I made a mistake. I am going to come to Exhibit 64, Mr. Chairman. That is a part of the straightening of this thing out. A.—I have included an item of \$882.66.

Q.—What item is that? A.—That is the second item.

Q.—Petty cash; that is also there? A.—Yes.

Q.—I see; and that makes those items make how much? A.—\$4,920,255.34.

Q.—Which is, as the figures show, considerably in excess of the \$4,780,000? A.—Yes.

The Chairman: Of course, while it is right for him to give the explanation of what was the amount paid, we should have it after he has gone into the whole question; why should you be suggesting what the profits are?

Mr. Davis: Why not?

The Chairman: Put in the actual cash that went into the bank as showing that the witness's explanation was wrong.

Mr. Davis: No; that money is available; that is what I am going to say. If it were suggested, of course, that we were liable to take it out of the country, it would not be fair to put it in, but that money is there; it is within the grasp of the Government. All we want in this matter is to show that the contractors have not gobbled any of the Provincial moneys for their own use. Now, we have got no financial interest in an arrangement in this matter, but we do want to show that we have not improperly got away with any part of the funds of the Government; and if we can show where that money is, then, whether it is proper to make allowance for this P.G.E.R. Development Company and the Equipment Company is another proposition. That is all I am getting at for the present, to show where the money is.

The Chairman: What I have in mind is that the statement was made quite broadly that P. Welch had lost money.

Mr. Davis: Yes, they have; and that is what I am saying.

The Chairman: You cannot use this argument to show that, when the money is in the bank.

Mr. Davis: We are showing everything in that way. Because they might draw that money out, you know, and then they would not be behind it.

The Chairman: You have \$400,000 in the bank?

Mr. Davis: Yes.

The Chairman: To the account of P. Welch?

Mr. Davis: I am assuming that it is going to stay there; I do not think there is any question about that. If we were going to take it out, it would have been taken out long ago. We are merely trying to show that we have not got away with any of the Provincial funds. That money is in the Province now, and it is a matter for argument as to how it shall be dealt with.

Mr. Hanes: How much of that \$400,000 would be owing for wages by P. Welch?

Mr. Davis: The liabilities are all shown here in this statement.

Mr. Hanes (to Mr. White): Do you owe any wages? A.—Yes.

Mr. Davis: This is a statement showing the liabilities.

Mr. White: We have the pay-roll paid up to the end of the month, always.

Mr. Davis: It would be comparatively a trifling matter? A.—Yes.

Q.—Now, Mr. Kaufman, I want to ask you also, before I go to Exhibit 64; there is an item of \$90,000 which should be deducted from the Pacific Great Eastern Development Company; that note is shown on the statement put in, so that I am not confusing matters by referring to it now. Now, on page 3 of Exhibit 206 there are certain outfits set out there as assets;

personal property, and so on—the statement speaks for itself; what is the value of it; it is probably problematical, is it? A.—Yes.

Q.—Now, coming to page 4 of Exhibit 206, headed "Balance-sheet." What does that balance-sheet show was the amount of money that Foley, Welch & Stewart have put into the concern, subject always to these notes, and to the money being in the bank, and so on?

The Chairman: What concern?

Mr. Davis: The undertaking, as I call it, of the Pacific Great Eastern; that is, the railway undertaking, the Equipment Company, and the Development Company. A.—\$871,000.

Q.—No; less withdrawals, the balance—I want the net balance. A.—\$199,674.22.

Q.—From which has to be taken an item, as the note shows, of a sum of \$91,700? A.—Yes.

Q.—That would leave, as put in by P. Welch, what sum? A.—Approximately \$100,000.

Q.—Now will you take Exhibit 64; have you a copy of it before you? Exhibit 64, as I understand, was prepared by yourself?

Mr. Kaufman: Yes, I assisted in the preparing of this statement.

Mr. Davis: And that showed an amount put in by the contractors, roughly, of \$100,000. These two statements are got out in different form and on a different system. A.—Yes.

Q.—How do they compare, as far as the result goes, in showing what money has been paid into that concern beyond what was received from the Government by P. Welch? A.—Very substantially the same.

Q.—Allowing always for that \$400,00 in the bank? A.—Substantially they are the same.

Q.—In other words, this statement 206 which you have put in checks up with and verifies Exhibit 64? A.—Yes.

Q.—Do you now say, after all this evidence has gone in, that Exhibit 64 is substantially correct as a statement? A.—Yes.

Q.—There is one item that I want to ask you about; it is the one that Mr. Hall or the Chairman were speaking of just now. It is an item in connection with Exhibit 64. You will find it—operating department, C. H. Sperry, \$590,000, something. In the first place, there will be a slight difference, I presume, as the one statement is brought down to a different date than the other. How is that, or are they both of the same date? A.—I think there is a slight discrepancy in the statements; there would be a slight difference in the statements owing to the dates.

Q.—Well, we will not waste time on that, because that is comparatively a small matter. Now, it was asked you—at least, it was drawn to your attention, that there was a statement put in by Mr. Sperry which showed that the operating department only lost \$78,000; and they want to know naturally, therefore, why you charge up the operating department here with \$590,000; will you explain that? A.—It is the amount which appears on our books; the actual cash disbursements we have made on account of that Department, in total.

Q.—Item 622. The Equipment Company has nothing to do whatever with the operating department.

Mr. Hall: I understood that the rolling-stock was the property of the Equipment Company.

Mr. Davis: Quite right.

Mr. Hall: And on the operating end there was a loss of \$78,000.

Mr. Davis: That is by reason of this statement which is Exhibit 196, and which is more or less again a paper statement; and I will just show that, in a way.

Q.—Now, looking at Exhibit 196, which is Mr. Sperry's statement, there is one item, for instance, of assets, and this will give an illustration of the whole thing; there is one item of assets—train construction, \$233,679.33. That is a paper statement of what would be due by P. Welch to the operating department, is it not, for stuff carried over it, and so on? A.—Yes.

Q.—If that amount were paid in cash by P. Welch, how would that affect the total cost of the railway? A.—It would increase the cost.

Q.—So that, you see, it makes no difference. Exhibit 196, which is Sperry's statement; you see that is only a paper statement as between the concerns, as showing practically how the thing ran, and there they are charging up P. Welch with the use of the road—freight, for instance, \$233,000. Is that item of \$233,000 included in your Exhibit 206 as a part of the cost of the railway? A.—It is not.

Q.—Therefore, if P. Welch paid that to the operating department, distinguishing the two, that would have to be added to the cost of the railway, the actual cost of the railway? A.—Yes.

Q.—So that you see, Mr. Chairman, it makes no difference if it is not put in; and this statement, 590—or whatever it is—is the actual amount that P. Welch has paid, the actual amount that it cost P. Welch in the operating department? A.—That was the actual cash disbursement on their account.

Q.—Less any outside revenue? A.—Less the revenue.

Mr. Davis: That is the explanation, Mr. Chairman. I know it is somewhat complicated, of course.

The Chairman: The operating department, A. H. Sperry, \$590,660; this purports to show the amount that P. Welch has paid in cash.

Mr. Davis: Yes, after deducting any revenues got from outside people; as between him and the operating department, of course it is a paper statement. It shows the sub-contractors' earnings which have not been paid, and if they were paid would have to be added to the cost of the road.

Mr. Hall: A similar amount should show on that Exhibit 196, should it not?

Mr. Davis: Mr. Sperry's is 196; that is the one you are looking at.

The Chairman: \$590,000; there is the amount that he was supposed to put in.

Mr. Davis: That he actually has put in, and has vouchers for.

The Chairman: That is, into the operating department?

Mr. Davis: Into the operating department?

The Chairman: That is, into the operating company?

Mr. Davis: Well, it is not in a separate company; that is where the confusion arises. It is the operation of the road, not another company.

The Chairman: What relation has it to the Railway Company?

Mr. Davis: It is the operating branch of the construction; they call it the construction department. It is rather a misleading term; it is the operating branch of the construction department.

The Chairman: Are those items shown in detail anywhere?

Mr. Davis: Oh, yes.

The Chairman: Are they shown in any statement?

Mr. Davis: On none of these put in. The details of that \$233,000, for instance.

The Chairman: I am talking about the \$590,000.

Mr. Davis: Is the revenue shown in this statement?

Witness: No; it would be impossible to include all those details.

Mr. Davis: I have merely taken the \$233,000 as one item, and, as explained in Mr. Sperry's statement, only show \$78,000 loss. In showing the \$78,000 he has to credit the \$233,000. You see, that \$233,000 has never been paid; if it is paid to them it will have to be added to the cost of the road, because this will cost P. Welch that much more. It is only a question of book-keeping. I am only taking out the one item as an illustration. There are others. For instance, there are some stores still which stand as assets, and they are put in there as credits.

Mr. Hall: I assume that this \$590,000 in Exhibit 64 was intended to be the same as this \$589,000 in Exhibit 196?

Mr. Davis: I will have to show that to Mr. Kaufman. Probably it is operating expenditure. There are some differences, because the dates are not exactly the same.

Q.—Would that \$590,000 correspond to the \$589,000 there, the gross sum? A.—They should approximate closely, because the operating expenses were paid by Welch, and naturally the total would approximate much the same.

Mr. Hall: I will follow that along a little; there is an item of revenue there of \$350,196 for—

Mr. Pooley: What exhibit is that?

Mr. Hall: Exhibit 196—for freight revenue; and then there is an item to which Mr. Davis has referred of \$233,679.

Mr. Davis: Merely as an illustration.

Mr. Hall: Well, the difference between those two would be the amount received from other than P. Welch sources? A.—Yes.

Mr. Davis: Now let him have a look at it, because there is one other item that certainly is not received from other sources. It comes to this: What is the amount received from outside sources?

Mr. Hall: There seems to be a difference of \$300,000.

Mr. Davis: That item of \$233,000 stands in the same way.

(Mr. Wiseman referred to as being able to give such information.)

Mr. Davis: Now go on with your explanation, Mr. Wiseman.

Mr. WISEMAN, duly sworn by Chairman, testified as follows:—

Mr. Hall: You were going to explain the \$590,000?

Mr. Pooley: What is Mr. Wiseman's position?

Mr. Davis: What is your position, Mr. Wiseman? A.—I am the book-keeper for the operating department.

Q.—Of P. Welch? A.—Yes. Well, the \$589,000 represents money paid out by P. Welch, as representing expenses in operating the line; that means, it covers the supplies, and it means the miscellaneous expenditure, that will deal entirely with the operating of the line.

Mr. Hanes: Does that include the hauling of supplies for the building of the railway? A.—Yes, it includes that.

Q.—Everything? A.—Yes.

Mr. Hall: Let me understand—in the case of a sub-contractor to the sub-contractor—

Mr. Davis: Was there any charge to sub-contractors in connection with that hauling? A.—Not that I know of.

Mr. Davis: No, I did not think so.

Mr. Hall: I thought that a general statement had been made to that effect, Mr. Davis.

Mr. Davis: I do not think so. We want an explanation of the \$78,000, being shown here as loss, whereas on this other statement 206 it is put down as something like—I forget just what it is—\$400,000. It is put down in this statement 206 as losses—Pacific Great Eastern Railway construction department, expenses, \$440,000.

Witness: That would represent the full amount of money paid out by P. Welch; and that is the balance, the total amount paid out, less revenue received from freight and passenger earnings. You see, this statement here is of November 30th; that is of February 28th, 1917.

Mr. Davis: That could be explained, that this statement was brought down to date, and you will note that here is the account that shows it is a liability carried forward as a liability here. What item is it? A.—That is the second item under liabilities.

Q.—What is the amount of it? A.—\$393,124.70.

Mr. Pooley: On Exhibit what?

Mr. Davis: Exhibit 196.

Witness: 196. If those statements were brought down to date the amount due from the operating department of P. Welch would be \$440,000. That can be accounted for by this revenue account here, you see, all the revenue accounts less the amount expended.

Mr. Davis: What about those items, like this \$233,000, which is put there as an asset? A.—It just means this: This \$233,000 represents the train service construction account, paid out, represented here as freight charges.

Q.—Yes; has it ever been paid? A.—Never been paid.

Q.—Who would have to pay them? A.—P. Welch.

Q.—And if he paid them, what effect would it have on the cost of the road? A.—Well, it would increase the cost of the road; it would just be a transfer.

Mr. Hall: Probably I can get it in this way: On this statement of November 30th, Exhibit 196, there is a net loss in operating which is shown as \$78,411; in your revenue you charged freight revenue, \$356,000, and passenger revenue, \$110,000; some of which was P. Welch and some of which was general work? A.—Yes.

Q.— —for which you were paid. Now, there should be deducted from these first two items of freight and passenger revenue the amounts charged to P. Welch, which would give you the amount of freight and general passenger revenue? A.—Yes; you see here his idea of the revenue—

Q.—Now, that difference, I take it, or, rather, the amount that you charged to P. Welch for passenger and freight revenue, plus the \$78,000, would be his loss on operating? A.—Yes.

Q.—Can you give me that figure?

Mr. Davis: Is that correct, Mr. Wiseman? A.—That is correct.

Q.—Is there any other item here besides this \$233,000? A.—Well, you see, we have stores supplies on hand there, \$40,000.

Mr. Davis: Yes? A.—That is the inventory of our Squamish store on the North Shore; then we have outstanding, collectable by the agents, \$45,000; that is a legal asset that can be collected.

Q.—Yes? A.—Then there are several other items there that represent work done by the operating department for which P. Welch has paid—train service, or whatever service that was performed; we have done that work for other parties, and that is due to the operating department for P. Welch, whichever you want to call it.

Q.—Now, having made all the allowances which are properly made, the item of \$440,000 is still correct as to what P. Welch is out in connection with the operating department? A.—If this statement is brought down to date, it would no doubt reflect those exact figures.

Mr. Hall: Why is this charge made, then, of \$590,000? I don't understand that.

Mr. Davis: What do you say as to that? A.—Well, I don't know anything about that; not at all.

Q.—This statement 64, I may say, as was stated at the time it was put in, was prepared very hurriedly, and the other statement is in detail; the other statement was got up in a day or two for the purpose of showing roughly the amount of money that P. Welch had actually spent in cash, and there may be some slight discrepancy there, but they offset one another more or less, so that they come out then within a few dollars of the same result.

Mr. Hall: Am I correct in saying that the \$590,000 should be \$440,424? A.—No.

Mr. Kaufman: The \$440,000 represents the balance that we had against the construction department. This first statement is a statement of cash disbursements; we disbursed this cash on account of that department; but they did considerable work for P. Welch.

Mr. Hall: I have the statement before me; there is the item of \$622,542? A.—Yes.

Q.—Which, I take it, is for equipment? A.—It is for equipment.

Q.—And this item of \$590,000 is not so much moneys disbursed as charges against Mr. Welch in connection with the operation of the road? A.—It is cash disbursed by P. Welch, by Mr. Sperry's department, but the difference between that—

Q.—Is that correct; for example, the charge would go to P. Welch for freight on a certain line? A.—Yes.

Q.—Would that be paid in cash? A.—That would be credited, and that would reduce the amount of the difference between \$590,000 and that \$440,000.

Mr. Hanes: What is the total of cash disbursements? A.—\$590,000.

Q.—And what is the revenue? A.—(Mr. Kaufman.) The revenue—I have not the exact figures of revenue; but if it is revenue outside of P. Welch revenue, I don't know what it is.

Mr. Davis: That \$590,000 is taken after crediting outside revenue? A.—No.—yes, after crediting cash revenue; after the credit of the cash received; that is, net cash disbursements.

The Chairman: Why cannot we have these figures put in intelligible form; and if there is anything we have to work out, we can find out what it is.

Mr. Davis: Well, there cannot be any question about 206; and 206 agrees with 64. It seems to me, allowing for the differences due to the getting-up of the statements, that 206 is full and clear in every respect. It does seem clear that they put the total amount of estimates in there of \$18,000,000, and it would have avoided all the confusion we had last night; but once that item is explained, then 206 is quite clear.

Mr. Hall: Will you tell me what they are trying to explain in connection with this \$590,000?

Mr. Davis: That is the amount which P. Welch is out in cash on the operating department.

Mr. Hall: Where is that shown?

Mr. Davis: They have the vouchers for it.

Mr. Hall: Where is the statement showing it? Will you explain that again, the difference between the \$590,000 and the \$440,000?

Mr. Kaufman: This is a statement got up in a hurry.

Mr. Pooley: Exhibit 64.

Witness: And it is a rough statement, and shows the total—

Mr. Hall: I understand that, so far as that item is concerned, it is correct, in 64? A.—Yes.

Mr. Davis: Approximately.

Witness: And it represents money paid out on account of Sperry's department. The \$440,000 represents the balance appearing on our ledger, but Sperry's department did work for us, and he

charged it against us, and naturally we would credit his account; and would not that reduce the \$590,000, and would bring the \$590,000 down to the figure of \$440,000, as appears on our ledger.

Q.—(Mr. Tate.) In the ledger statements?

Mr. Hall: If you take from the \$590,000 the amounts received by Mr. Welch in connection with the operation of the road from other sources.

Mr. Davis: That has been taken out already.

Mr. Hall: The ordinary passenger—from the \$590,000; wouldn't you arrive at that \$440,000?

A.—That would approximate that amount, yes.

Q.—So that all that difference between \$440,000 and \$590,000 was not put by him into the road? A.—We put in the full \$590,000.

Mr. Davis: You see, in 64, this item is a net amount, after credit of revenue? A.—After credit of cash revenue; but he did work for us—his men did.

Mr. Davis: You did not answer Mr. Hall's question quite correctly, did you? He asked it as if there had been no deduction for revenue in that \$590,000 at all? A.—There has been deduction for cash revenue, for cash received.

Q.—Exactly; this is for work that you are speaking of; it is not cash received but a credit? A.—It is a credit on account of work done—a transfer.

Mr. Shatford: I think we had better deal entirely with the last statement prepared, not the one that was taken off hurriedly.

Mr. Davis: I am sure that we will be only too pleased to have this statement 206 checked through the books of the Company of P. Welch, and the vouchers produced for every item, and they can satisfy themselves, and the auditors can satisfy themselves as to every item being correct; we are satisfied they are correct; and we would welcome a checking by the auditors to verify that statement.

The Chairman: Well, we will leave it at that for the present.

Mr. Davis: Just one question for Mr. White.

Q.—In connection with the Rankin contract, Mr. White; you were a partner in that contract? A.—Yes.

Q.—In making the settlement, how was that sub-contractor, or how were those sub-contractors treated as far as any reduction of the amount they had earned, we will say? A.—I don't quite get the—

Q.—Well, what was the amount of profit that was made on the Rankin contract, on the sub-contractor's prices, on your prices; first give me the amount you actually received? A.—\$30,000, I think, was the amount we received, yes.

Q.—Yes, of profit? A.—Of profit, yes.

Q.—You told me of one being reduced, the profit was cut down? A.—That was Rankin & Kellett.

Q.—That was the one I was referring to? A.—That showed a profit originally of something over \$32,000.

Q.—Yes? A.—Our final settlement was slightly over \$12,000; cut \$20,000.

Q.—You cut down half the price on what you might make strictly under the contract? A.—Yes.

Q.—And you cut down P. Welch? A.—Yes.

Q.—The same as we have had the evidence, you cut down the various sub-contractors' profits.

The Chairman: Was it under the contract that Mr. Macgowan was in? A.—No.

Mr. Davis: There was something said about a son of Mr. Welch having a contract in that road? A.—Yes.

Q.—Was that a losing contract or a profitable contract? A.—A losing contract.

Mr. Davis: Losing contract. That is all.

Mr. Hanes: Mr. White, you were acting as head book-keeper for the firm of Foley, Welch & Stewart? A.—No; no, I have nothing to do with the head accounts of Foley, Welch & Stewart.

Q.—Have you been paying out money under Mr. P. Welch's contract since the work started? A.—Yes.

Q.—For the Railway Company? A.—Yes; the Pacific Great Eastern Railway Company.

Q.—Yes? A.—Yes, as P. Welch.

Q.—Yes; well, how much money, roughly, has been paid out to any of the members of the firm? A.—To the members of the firm?

Q.—Yes, to any members of the firm? A.—About \$1,750,000 of their investment; you have those figures there, haven't you?

Q.—Well, I am referring to the money paid by the Government through the Pacific Great Eastern Railway Company; how much of that has been turned over to the members of the firm?

Mr. Maclean: For their personal use, do you mean?

Mr. Hanes: Well, I mean by cheque? A.—It was simply a repayment of their investment.

Mr. Pooley: In what?

Witness: In the Pacific Great Eastern Railway, in the contract.

Mr. Hanes: Did that amount to about \$1,750,000? A.—Yes; very close to it.

Q.—How was that divided, or paid out—equally? A.—No.

Q.—To the three? A.—No.

Q.—That is, Mr. Welch, and Mr. Foley, and Mr. Stewart? A.—No. It was paid out, \$1,000,000 to Mr. Welch—\$1,005,000; and approximately, I think, \$763,000 to Mr. Stewart, charged to Foley, Welch & Stewart against their investments.

Q.—And how much money has Mr. Foley received? A.—He has drawn nothing.

Q.—Well, Mr. Tate or Mr. Welch told us that each one of these three were equally interested in this contract? A.—The difference in withdrawals would be a matter of partnership settlement between themselves.

Q.—These books filed here show that that sum of money was reinvested again? A.—Beg pardon?

Q.—These books which have been filed with the Committee show that the money was reinvested; how much was reinvested? A.—Reinvested? I didn't say it was reinvested; I said it was charged against them.

Mr. Davis: Put in first and withdrawn.

Mr. Hanes: I want to get that clearly from Mr. White. He states that Mr. Welch has drawn out how much? A.—\$1,005,000.

Q.—And how much has Mr. Stewart? A.—I think it is practically \$763,000, or very close to it.

Mr. Davis: Which they had put in before.

Mr. Hanes: Mr. White, this is what I asked you: Was that the money received from the Government through the Pacific Great Eastern Railway to Mr. P. Welch on the contract? A.—Yes.

Q.—And out of that you state that Mr. Welch drew \$1,005,000? A.—Yes.

Mr. Davis: No, he didn't state that; they put it in before and drew it out.

Mr. Hanes: We have not been shown that they put any money in.

Mr. Davis: That was money they put in themselves before.

Mr. Hanes: Under this contract with Mr. P. Welch the Government were advancing money to the Pacific Great Eastern Railway, and the Railway Company were advancing it to Mr. P. Welch. Now, what I am asking you is, out of that money advanced by the Government through the Company to Mr. Welch, Mr. Welch drew out this \$1,005,000? A.—Yes.

Mr. Pooley: Why did he draw that out?

Witness: He drew it against the Company's investment; Foley, Welch & Stewart invested a certain amount of money in the contract.

Mr. Pooley: Mr. Welch had invested a certain amount of money in the contract originally? A.—The firm invested a certain amount.

Mr. Davis: What was the amount; did they draw out more than they put in? A.—No; about \$100,000, something like that.

The Chairman: Just breaking in there—why should they draw out a cent, when under their contract they were obligated to supplement the amount of the Government moneys with their own? A.—Well, I presume they thought they had a right to draw against their investment; I don't know—

Mr. Davis: At any rate, they did; and it is a matter of comment.

Mr. Hall: How was it paid—in cash, or in supplies, or equipment? A.—Beg pardon?

Q.—How was it paid—in cash or supplies? A.—The amount was paid in cash and supplies.

Q.—How much cash and how much supplies? A.—(To Mr. Kaufman.) Have you got that?

Mr. Kaufman: I have not got that; we can get those figures for you.

Mr. Hall: The equipment forms no part of it?

Mr. White: The Equipment Company is separate.

Mr. Hall: I am talking about their plant; Foley, Welch & Stewart contributed a large amount of plant? A.—I don't know whether there is any plant included in there; there might be some small items, if there were any; it would be mostly supplies.

Q.—I understood the plant was not included; can you make sure of that? A.—There is \$100,000 worth of plant that has never been included in any of these accounts.

Q.—I would like to verify it. Can you have a statement of it readily prepared? A.—Yes.

Mr. Hanes: And out of that same money (referring to question on page 1352; see printed page 495) Mr. Stewart drew out \$763,000?

Mr. White: Yes, approximately.

Mr. Hanes: And Mr. Foley, nothing? A.—Drawn nothing.

Q.—Out of this money that was drawn by Mr. Welch and Mr. Stewart, that money was not reinvested—that money was reinvested in the road? A.—In the road?

Q.—Yes. A.—Oh, in the Railway Company?

Q.—Yes. A.—No.

Q.—Well, I want to ask you this question: So far as you know, in handling this money, were there any sums of money paid out for any purposes, political or otherwise, except this amount that Mr. Macgowan has received? A.—I know nothing of anything like that.

Q.—Of any description? A.—Beg pardon?

Q.—Of any description, for any other purpose? A.—I know of nothing; I don't know of anything like that.

Q.—You wrote a letter to Mr. Callaghan, which was produced before this Committee, asking him what price he was paying for culled ties; what did you mean when you wrote that letter to him? A.—Well, sometimes they make a price for culled ties.

Mr. Maclean: They have the right, under the specifications that were put in here, to do that.

Mr. Hanes: I am asking Mr. White what he meant when he asked Mr. Callaghan what prices Mr. Callaghan was paying for culled ties. A.—Well, we had no price; there was no price made; there was no price in the contract.

Q.—You were asking Mr. Callaghan, as engineer, what price he was going to allow the contractor for culled ties? A.—Well, the tie contractor would be paid the same amount, I presume, for the culled ties; he would get the same amount.

Q.—Did you find out from him whether or not he was going to pay the full 50 cents for culled ties, or whether he was going to allow a less amount? A.—I know there would be a smaller amount allowed, but naturally I would not know what it was.

Q.—And what was that amount that he has allowed? A.—I don't remember at all. That was probably shown in the tie account; it was only a small tie account.

Q.—You thought he would naturally allow you a less amount than 50 cents? A.—I presume that would be—I do not really recollect the matter.

Mr. Shatford: With reference to this contract in which Mr. Macgowan was interested, what interest did you say he had in the contract? A.—He was supposed to have a quarter. I see there is a difference there. I do not recollect, but the books will show; the cheques were made out by the accountant, and all the transactions passed openly through the books.

Q.—Now, what profit did he receive in connection with the transaction? A.—I think it was approximately a profit of—I think the books showed \$36,000.

Q.—Of which he received one-quarter? A.—Well, I see that, according to the cheques, it didn't amount to that; now there may have been some adjustment which the accounts will show.

Q.—Did he assist in financing the contractors? A.—Beg pardon?

Q.—Did he assist in financing the contractors? A.—No, he didn't.

Q.—Now, supposing there had been a loss in connection with this contract to Mr. Macgowan, would he have to contribute his share of the loss? A.—Mr. Hays does not charge up the loss to a contractor.

Q.—Was there any understanding that you know of? A.—No.

Q.—In regard to the loss, if any, in connection with the contract? A.—No.

Mr. Hanes: Couldn't they raise the classification of the work done so that the sub-contractor would come out even? A.—Beg pardon?

Q.—If there was a sub-contractor who was liable to a loss, would not the same thing apply, and the stationmen's classification be raised so that he would break even? A.—The break—well, the contractor would draw nothing; it would simply be an offsetting entry. If you raise the classification and the price, it reduces the profit on the work accordingly.

Mr. Shatford: Did I understand you to say, in answer to Mr. Hanes, that this money that Mr. Macgowan received was for political purposes? A.—I know nothing about it; absolutely nothing.

Mr. Hanes: I was not asking if it was for political purposes.

The Chairman: I think Mr. Taylor had not quite completed his examination on that matter, and I thought I would not interfere with it, but let Mr. Taylor pursue it further if he wishes. Mr. White, the memo. handed in by Mr. Williams showed that the loan to Lodell, Foley & Stewart was apparently made on the 28th of June, 1915; I take it that was an original loan of \$240,000; is that right? A.—That was the original—the amount of the note is \$150,000.

Q.—But the original advance was \$240,000? A.—Yes.

Q.—And the date is 28th June, 1915? A.—Yes; that would be two years ago this coming June.

Q.—Why I mention that here is because I have here in the evidence a letter written by Mr. Tate to the Minister of Railways on the 20th of May, 1915, practically a month prior, or a little over a month prior to that loan, in which he tells the Government that if they do not come through with this money, that the work will be shut down, and without further controversy, and he shortly states his reasons for so doing. That is Exhibit 52. Then following that, on the 28th of the next month, a loan was made out of these same funds to Lodell, Welch & Stewart of \$240,000. (No reply.)

Mr. Davis: If there is nothing else to ask Mr. White to-day, I would like to ask a few questions of Mr. Townsend.

The Chairman: Yes, Mr. Davis.

Mr. Pooley: I would like to draw your attention first, Mr. Chairman, to an item that appeared in the *Times* last night (April 11th) in a report of the evidence given before this Committee, in regard to the charges supposed to have been made by the Pacific Great Eastern Railway on shipments of freight from Pemberton. The report goes on: "He admitted that a charge of \$8 to carry a ton of potatoes eight miles was not a freight rate. However, he said that other roads did the same, and Mr. Pooley (Esquimalt) expressed approval of the Company's action in this regard." Now, I don't know altogether what prompted the reporter of the *Times* to put in that statement, and I have taken the trouble to look up the evidence taken by the official stenographer; and there is absolutely no foundation for such a statement, and I wish to make that statement publicly, and ask the reporter of the *Times*, whom I understand is here now, to have that statement corrected. He has no business to misquote anything that takes place before the Committee. He is entitled to produce the evidence—that is, to report the evidence that is placed before the Committee; but he is not supposed to enlarge upon it, or to comment on it. I wish to draw the attention of this Committee to this matter, and to ask that it be corrected to-night. According to the evidence which I have before me, there can be no such interpretation of my remarks. I do not approve of any practice at all in the way mentioned in the newspaper report. We have the evidence here, and I refer to pages 14 and 15 (1217 and 1218) (*see* printed pages 446, 447) which deal with the subject. The only question which arose was as to what Mr. Sperry did when he found out that the agent, evidently an overzealous agent, had made a mistake in the charges, and I asked Mr. Sperry about what happened at that particular time, and he said that as soon as the matter was drawn to his attention he rectified it.

Mr. Hanes: I pointed out that there were other cases; you said that it was just one case, and I pointed out there were other cases, because I had notes of them.

Mr. Pooley: The evidence does not say that I expressed approval.

The Chairman: At any rate, Mr. Pooley has called the attention to the report in the newspaper, and I suppose that it can be checked up by the paper; the evidence is there for them to go into.

Mr. Shatford: I think it is only right that they should deal fairly with each member of the Committee.

The Chairman: I have no doubt they will.

Mr. Hanes: If I may just break in for a little, I would like to read to the Committee two or three portions of three meetings of the directors and shareholders of the Pacific Great Eastern Railway, so that it will be a matter of record.

The Chairman: Yes, that is all right.

Mr. Hanes: This is dealing with the first meetings of the Pacific Great Eastern Railway Company: this book is filed as an exhibit; and I will read a portion of the minutes of the meeting of the provisional directors of the Pacific Great Eastern Railway, held at the Empress Hotel, in the City of Victoria, British Columbia, at 12 o'clock noon, Thursday, April 4th, 1912:—

"Present: Mr. Timothy Foley, by Mr. D'Arcy Tate, proxy; Mr. J. W. Stewart, by Mr. D'Arcy Tate, proxy; Mr. Patrick Welch, by Mr. D'Arcy Tate, proxy; Mr. D'Arcy Tate, K.C.; Mr. Donald McLeod, by his proxy, D'Arcy Tate; Mr. Vernon W. Smith, by his proxy, D'Arcy Tate; R. D. Thomas.

"On motion of Mr. Stewart, seconded by Mr. Foley, Mr. D'Arcy Tate was appointed chairman.

"Mr. R. D. Thomas, secretary of the meeting."

And there was some other business transacted at that meeting. I would like to read a portion of the minutes of the first general meeting of the shareholders of the Pacific Great Eastern Railway Company:—

"Minutes of the first general meeting of shareholders of the Pacific Great Eastern Railway, held at the Empress Hotel, in the City of Victoria, British Columbia, at 12.30 p.m., Thursday, April 4th, 1912. Present: Mr. Timothy Foley, holding 200 shares; Mr. J. W. Stewart, holding 200 shares; Mr. P. Welch, holding 200 shares; Mr. D'Arcy Tate, K.C., holding 200 shares; Mr. Donald McLeod, holding 100 shares; Mr. Vernon W. Smith, holding 100 shares. Mr. Tate holding all proxies."

Now, a little later, at the first meeting of the directors of the Pacific Great Eastern Railway, held at the Empress Hotel, Victoria, British Columbia, at 2 o'clock p.m., Thursday, April 4th, 1912. Present: By Mr. Tate, proxy, Mr. Timothy Foley, and Mr. P. Welch, and Mr. J. W. Stewart; Mr. Tate, K.C.; Mr. Donald McLeod, and Mr. Vernon W. Smith. On motion of Mr. Welch, seconded by Mr. Smith, Mr. Tate was appointed chairman and R. D. Thomas secretary of the meeting.

The Secretary: Mr. Tate was the only person at the meeting.

Mr. Hanes: Representing the others by proxy; therefore he would have the right to vote for them, and it would be as if he were the only one present, because they deal with this question again, stating that he was the only one present. I just wanted to read those to show that one man was in control of the proxies of the directors and of the shareholders—that is, at these meetings; and at the meeting of the shareholders, the minutes of which I read, the directors were elected; and this is half an hour so after, a meeting of the directors was held. Now, if these directors were in various parts of the Province, I was hoping Mr. Tate would be here, because he would be in a position to tell us how he could act for the directors if they didn't know that they had been appointed.

Mr. Pooley: On that question of the *Times*, I would like to read, Mr. Chairman, part of the evidence which was given; this is at the bottom of page 14 (1217) (*see* printed page 446). It is on the question of charging express rates instead of freight rates. What I said was, "They want to develop their own business on their own line, or otherwise, and if you export your raw material, it cannot be done."

The Chairman: That was on the question of hauling logs. The *Times* report quotes it as approving of the express prices charged for freight.

Mr. Pooley: That is where the difference comes in. That is why I complain. If they report me on the question of refusing to haul the raw material out of the country, I have no complaint; but the *Times* gives the excessive rates for potatoes, and quotes me as approving.

Mr. Hanes: I had other cases, as I stated yesterday, and the names of persons who have informed me as being charged those exorbitant rates, which I did not think was necessary; I only mentioned one case, but I stated that there are other cases.

The Chairman: The answer, Mr. Pooley, which appears at the bottom of the page (1217) (see printed page 446), must refer to potatoes, because "It is not the fault of the Railway Company at all"; that was referring to the potatoes.

Mr. Pooley: The *Times* reporter, I think, has mixed up the discussion of one question with the other.

Mr. Hanes: Those rates were the fault of the Railway Company. They charged excessive rates in different cases, and those people up there have not got rebates, except in those cases where they made a kick.

Mr. Hall: Just one question, Mr. White; on page 2 of Exhibit 206, towards the end of the typewriting on that page, I see: Interest, Union Bank of Canada, \$382,914; and interest on overdraft, amounting to \$6,125. I presume that corresponds to the \$389,040 shown in Exhibit 64. I will show it to you.

Mr. White (referring to exhibit): This is interest on overdraft and the Union Bank loan, both taken together.

Mr. Hall: These two items on page 2 of Exhibit 206 are the same, approximately? A.—Yes.

Q.—as the \$389,040 shown in Exhibit 64.

Mr. Kaufman: Yes, that is right.

Mr. Taylor: In regard to this Macgowan matter, Mr. Chairman, we have certain letters now with reference to the cheque issued to Mr. Macgowan personally.

Mr. Maclean: \$7,500.

Mr. Taylor: I want to ask you now, were any cheques issued to G. A. Fraser?

Mr. Kaufman: No.

Mr. Taylor: To his son-in-law, or how was it? A.—(Mr. White.) Absolutely no; absolutely none.

Q.—To whom was Mr. Farrill's issued? A.—Issued to him personally, and all of small amounts, I think.

Q.—I think, Mr. Chairman, we ought to go through all the cheques; we should have them all here, and go through every cheque that was issued.

Mr. Kaufman: Every cheque is here; all the cheques are here.

Mr. Taylor: None reserved? A.—No reserve.

Q.—I think we ought to go through every cheque this afternoon.

Mr. White: There are some cheques—there are certain cheques that were issued to Colonel Stewart, and they have been turned over to him for the purpose of checking same.

Q.—In what way? A.—He wanted to check his account, and I had a request for them, and I turned them over; outside of that, all the cheques are here.

Q.—The cheques issued direct to Mr. Stewart? A.—Some of them, and some not.

Q.—To whom were the others issued? A.—Some of them were issued to Mr. Tate; some of them to Mr. Welch; and some of them issued to him to give to the bank.

Q.—And to whom were the others issued? A.—I think some were issued to me; I don't remember, but the register will show it.

Q.—And to whom were the others issued? A.—That is all; some of them issued to me.

Q.—Issued to you in your name? A.—Yes.

Q.—Why were they issued to you? A.—I got cash for them.

Q.—For what purpose did you get the cash? A.—I don't know.

Q.—What is that? A.—I don't know. He just told me to get a certain amount of cash, and I handed it over to him personally.

Q.—Whom do you mean? A.—To Mr. Stewart.

Q.—You would get the cash and hand it over to him personally? Yes.

Q.—And whom did you charge it to? A.—Charge it to him.

Q.—Charge it to him? A.—Yes; charged to him, yes.

Q.—How much was involved in that? A.—Do you mean the aggregate amount?

Q.—Yes. A.—Well, the aggregate amount of his account is \$763,000; I don't recollect from memory how much of this was issued in that way.

Q.—Was he getting that cash for his private purposes? A.—I presume so.

Q.—Or did he state to you? A.—He didn't.

Q.—Did he intimate to you for what purpose he was getting it? A.—He didn't intimate anything about it.

Q.—The cheques that were issued to Mr. Welch, were they charged to him? A.—Charged to him.

Q.—Charged to him privately? A.—They were charged to Mr. Stewart.

Q.—The cheques were charged to Mr. Stewart? A.—Certain cheques were issued to Mr. Welch, charged to Mr. Stewart.

Q.—Why? A.—I don't know; there must be some kind of a connection between them.

Q.—About how much would they amount to? A.—I could not tell from memory.

Q.—Were there any other cheques given to members of the Legislature other than Mr. Macgowan? A.—No.

Q.—You are sure of that? A.—Absolutely sure.

Q.—Have you any other letters where members of the Legislature, the last legislature, were having any interest, direct or indirect, in any such contract? A.—Absolutely none.

Q.—Mr. Macgowan is the only case. A.—The only case.

Q.—Do you know who Mr. Murchison was? A.—I don't know him personally; I think he was in the office once.

Q.—Did he ever work on this road? A.—On the Pacific Great Eastern Railway?

Q.—Yes. A.—No.

Q.—Was he ever connected with any of the sub-contractors? A.—With P. Welch?

Q.—Yes. A.—Not that I know of.

Q.—You have never met him yourself? A.—No.

Q.—But he is the man that was supposed to be connected with you in business? A.—No—beg pardon?

Q.—I am going to read you some letters. Mr. Murchison was not supposed to be connected with you in the interests of Mr. Macgowan? A.—I knew nothing of that kind.

Q.—Mr. Murchison—strange to say that Mr. Macgowan was writing letters to Sir Richard McBride, and it is Murchison that he is interested in. What is the date of that cheque—we will take it, 1912. That is 1912; you were there in 1912, in the same capacity that you were there in 1914? A.—I was there in the latter part of 1912.

Q.—This is June. A. H. Macgowan to Sir Richard McBride, June 14th, 1912:—

"MY DEAR SIR RICHARD,—Acting upon your kind suggestion, I am writing Mr. Welch, of Foley, Welch & Stewart, a copy of which is enclosed. You were good enough to say that you would follow this with a letter from yourself. Mr. Murchison and his associates will be in a position to take a very considerable contract up to twenty-five miles or more, to start with, the nearer to Vancouver the more preferable.—(Signed) Yours very truly, A. H. MACGOWAN."

Exhibit 213. A. H. Macgowan to P. Welch, June 14th, 1912. The next one is 214. A. H. Macgowan to P. Welch, June 14th, 1912:—

"DEAR SIR.—The Hon. the Premier, now Sir Richard McBride, has advised me to write you asking that you arrange that your firm give favourable consideration toward giving some of the railroad-work to Mr. S. Murchison and his associates, who, being principally Vancouverites, if you consider them, prefer work as near headquarters as convenient to you. They will be in a position to handle, say, twenty to twenty-five miles upwards to start with.—Yours truly, A. H. MACGOWAN."

These two letters, you will notice, start as follows: 213, "Acting upon your kind suggestion." That is, Sir Richard McBride's suggestion. And the second letter, Exhibit 214, "The Hon. the Premier, now Sir Richard McBride, advises me to write you asking that you arrange," etc. And April 14th, the same day, Mr. Macgowan writes to Sir Richard McBride. Exhibit 215.

Mr. Maclean: What year?

Mr. Taylor: 1912, the same year, the same date. Oh, no, April 14th; that was two months before. Three months before those other letters he writes: A. H. Macgowan. Hon. Sir Richard McBride, New York. My dear Sir Richard—Mr. McBride—to the Hon. Richard McBride:—

"MY DEAR MR. MURCHISON,—Just a line as you requested. I think Mr. Tate must have gone by Seattle as I could not locate him here yesterday. If you meet Mr. Welch en route, I know you will put in a word for me. If you do not meet him, perhaps you can drop me a note of introduction to him. I appreciate very highly what you have done and are doing in this matter, as well as in the Grand Trunk commission. With kind regards, and again wishing you a pleasant trip.—Yours very truly, A. H. MACGOWAN."

Exhibit 216; the 14th of June, 1912. Again we refer to the same date as Exhibits 213 and 214. June 14th, 1912. Not signed, presumably Sir Richard—Hon. McBride then. Letter, personal. 14th June, 1912. A. H. Macgowan, Esq., M.P.P., Vancouver, B.C.:—

“DEAR MR. MACGOWAN,—I have written Mr. Welch that you would call on him, and have asked him to give his best consideration to the matters you bring before him.—Yours sincerely.”

I might say that that letter was taken from Sir Richard McBride's file.

Mr. Shatford: Personal file?

Mr. Taylor: Personal file, yes. So it must have been signed by Sir Richard McBride. On the same date, 14th June, 1912. Exhibit 217. Sir Richard McBride to P. Welch. It is not signed, but it is taken from his personal files. It is a copy of a letter, duplicate carbon letter, marked personal. 14th June, 1912. P. Welch, Esq., Messrs. Foley, Welch & Stewart, Vancouver, B.C.:—

“DEAR MR. WELCH,—Mr. A. H. Macgowan, one of the members of the Legislature for Vancouver, is desirous of meeting you and will call on you in Vancouver. I would ask you to give the matters he will bring before you your best consideration.—Yours sincerely.”

You will note there is no mention of this railway contract. Just left in that language. Exhibit 218. Mr. Macgowan to Sir Richard McBride. September 26th, 1912, as follows: Vancouver, B.C., September 26th, 1912. Personal. Sir Richard McBride, Premier, etc., Victoria, B.C.:—

“DEAR SIR RICHARD,—I have to thank you sincerely for your favour of the 20th instant, and appreciate your kind offices in the matter of speaking to Messrs. Welch & Stewart. I feel assured that your kind attention to this matter will secure to my friends, Mr. Murchison *et al.*, complete success.—Yours very truly, A. H. MACGOWAN.”

The letter of the 20th inst. is not on the file; that is, we haven't found it yet; it may be there, but we have not found it. That is, the 20th of September, 1912.

Mr. Pooley: Dealing with the Murchison matter, I take it there never was a Murchison contract, Mr. White wants to know where the letters were directed to addressed to Mr. Welch.

Mr. Taylor: Exhibit 214, June 14th, 1912, Mr. Macgowan to Mr. Welch, was directed to him at Vancouver—Foley, Welch & Stewart. Exhibit 217, Sir Richard McBride to P. Welch, personal letter, was directed to P. Welch, Esq., 14th June, 1912; P. Welch, Esq., Messrs. Foley, Welch & Stewart, Vancouver.

Mr. Pooley: Did Mr. Murchison ever get a contract, do you know, Mr. White? A.—Beg pardon?

Q.—Did Mr. Murchison ever get a contract, do you know? A.—No; as I recollect it, the negotiations were with Murchison and Macgowan, both, I take it, as a firm. And there was nothing let at that time; that was much later.

Q.—At that time did they get a contract? A.—Beg pardon?

Q.—At that time in 1912, do you know if they had a contract? A.—Oh, no; they had nothing then, because the work was not started then.

Mr. Shatford: How long afterwards did the work start—how long after that?

Mr. White: Well, they were establishing camps, I think, in the neighbourhood of Lillooet early in October, 1912.

Q.—The same year? A.—Yes.

Mr. Pooley: When you say “they” established camps, whom do you mean? A.—Our first work camp was established in 1912.

Q.—When you say they established camps, you are not referring to Murchison when you say “they”? A.—No; I mean the first work on the contract.

Mr. Taylor: These six cheques that have been filed as exhibits were drawn by P. Welch, per White, on the Union Bank of Canada in favour of Mr. Macgowan in the year 1914—August, 1914—and others in 1914, running up to December, 1914, and January 11th, 1915, for \$1,000, \$1,000, \$1,500, \$1,500, \$17.50, and \$259.67, were not in connection with him, but were a portion of your \$24,000, in sub-contracts, and in connection with Kellett & Rankin? A.—Not mine. They were charged up against the contract; it was part of the contract profits.

Q.—But not a part of your profits? A.—Oh, no.

Q.—It reduced your profits by the proportional profit? A.—On that amount.

Q.—And the whole contract was taxed with these cheques? A.—Yes.

Q.—Without Mr. Murchison being a partner in the concern at all? A.—He was a partner.

Q.—Without Mr. Murchison being a partner in the concern at all, in Victoria, without putting up any money, and never having done the work, as I understand? A.—Yes.

Q.—And never remaining or appearing on the work? A.—No.

Q.—Never having once put in an appearance; and having no excuse to get any money at all, except that you were told to give him this money by some person. A.—He had an interest with Mr. Kellett. The original transaction, as I said before, the original arrangement—not arrangement, the transaction was first gone into with Mr. Murchison and Mr. Macgowan, and there was no work left for them, and Mr. Kellett took him in as a partner; that is—

Q.—Exactly; in writing? A.—No.

Q.—No writing? A.—No.

Q.—No letters from Kellett that you know of? A.—The cheques were openly issued by the accountant.

Q.—I am not questioning their being open, because we have them here. A.—I mean, they were issued by the accountant.

Q.—You knowing at that time that Mr. Macgowan was a Conservative member of the Legislature? A.—Yes.

Q.—And did you know that Sir Richard McBride, in the language of the letters just filed, had introduced him in the first place to this sub-contractor? A.—No, I never saw those letters. Those letters, Mr. Taylor, reached Vancouver before we had an office here.

The Chairman: Where is the rest of that \$9,000? A.—Beg pardon?

Q.—I think \$7,500, is there? A.—I don't know just how that difference arose. The profit and loss statement would show how that amount was arrived at. There is a slight difference there.

Mr. Taylor: What became of it; who got it? That is my point; who got the balance of the \$9,000? A.—That is all the money that Mr. Macgowan got.

Q.—You told me in the first place it was \$9,000? A.—If I told you it was \$9,000, it must have been wrong. But our books will absolutely show.

Q.—Do you remember it was stated that it was a wrong mental calculation? A.—Yes, I should say, absolutely that it was.

Q.—And you say these cheques represent all, directly or indirectly— A.—So far as these books and vouchers will show that, I think it is all.

Q.—So far as the books are concerned? A.—Yes.

Q.—Does this represent— A.—Excuse me—

Q.—Does this absolutely represent all, irrespective of books or anything like that? A.—Yes.

Q.—Directly or indirectly? A.—Yes. I have told the boys to get all the cheques.

The Chairman: That does not prove anything, if you just told the boys to get the cheques. A.—Yes; but we want that checked up.

Mr. Taylor: I am not casting any reflection on them, but I think that on all important matters like this everything should be under the control of Mr. Bullock, and he should be present, no matter who is there. I suggest that, Mr. Chairman, and I ask that it be put into effect.

Mr. Davis: We have no objection at all.

Mr. Taylor: I think it is a wise precaution to take for the protection of all parties; it is getting to be rather a serious matter. I would suggest that Mr. Macgowan be instructed to appear before the Committee; it is only fair to him, if he has any explanation to make, that he be given the opportunity; he has the right and the privilege of making it.

The Chairman: I imagine that as soon as he reads the newspapers he will be here.

Mr. Taylor: I am only suggesting that he be invited to attend before the Committee, and be given the opportunity of making the explanation; it is his duty, and it is his privilege to make it; he has the right to have that privilege of making the explanation.

Mr. Hanes: What was the amount of the cheques issued to Mr. Tate?

Mr. White: I don't remember.

Mr. Hanes: Well, roughly? A.—There were some \$50,000, \$25,000—something like that, in that neighbourhood.

Mr. Taylor: There is another matter that I would like to ask you something about. In your Exhibit 64, that you prepared for Mr. P. Welch, there is that item, the Pacific Great Eastern Development Company, \$1,681,500; can you give me the particulars of that item; can you back that item up with actual vouchers of the money actually paid to that extent? A.—I think I can.

Q.—How long will it take you to give me the particulars of that item of \$1,681,500? A.—I would have to go into the vouchers, Mr. Taylor.

Q.—Yes. Do I understand that your office issued cheques to cover that amount? How did you arrive at that amount; is it represented by cheque vouchers in your office, that amount of \$1,681,500? A.—Is that the amount there?

Q.—Yes. (Producing document.) Said to be one of the ways that Mr. P. Welch disposed of his profits in this contract. He charges up the amount, but does not credit it in the statement with the assets that he bought with it. It is charged up here. We have only one side of the ledger here; that is the charge, not the credit. It is charged for the purpose of reducing profits, and no credit given for the assets—a new way of treating it. You think now that you can cover that by cash vouchers? A.—I don't know.

Q.—You don't know. How do you justify preparing that statement to come before the Committee, when you knew that it was coming before this inquiry, without putting on the other side all the credits for the assets— A.—Well, Mr. Welch—

Q.—which that money purchased, or was supposed to purchase? A.—Mr. Welch wanted a statement run off as quickly as possible, and just as soon as it possibly could be done.

Q.—And he wanted the statement prepared for the purpose of showing it in this way? A.—He wanted certain figures to be submitted with it.

Q.—That is the exhibit that, as I said last night, went in the head-lines of certain newspapers, showing that Mr. Welch had made nothing.

Mr. Maclean: That is Exhibit 64; we do not propose to put it in at all.

Mr. Taylor: It was put in; the notes show, unfortunately, that it was a statement put in, and how it was put in.

Mr. Davis: My friend has two or three times referred to the fact that Mr. Welch in his evidence stated that a statement would be prepared showing how he came out on this work, and that was produced before Mr. Welch gave his evidence.

Mr. Taylor: And it was handed to us in advance.

Mr. Maclean: At the request of the Chairman.

Mr. Davis: And it was verified by Mr. Welch when he gave his evidence; and verified again by the men here.

Mr. Taylor: How do you justify charging that amount of \$1,681,500 without crediting the assets with that money, and the properties which Mr. Tate has sworn were worth \$10,000,000?

Mr. Davis: It is a matter of argument altogether; there is no dispute about the fact.

Mr. Taylor: And that is the reason it came out in that shape.

The Chairman: Have you anything in the statement showing the assets of the Pacific Great Eastern Development Company?

Mr. Davis: I thought there was a balance-sheet.

Mr. Thomas: The balance-sheet books would show the assets of the Development Company.

Mr. Hanes: It was not signed by anybody, was it, Mr. Thomas; it was taken off roughly?

Mr. Thomas: It was taken off roughly.

Mr. Hanes: But it was not signed by anybody.

Mr. Shatford: That was a trial balance which you presented.

Mr. Thomas: The book itself is the evidence.

The Chairman: Couldn't you make out such a statement in regular form, on a proper regular form of balance-sheet? A.—Yes, it could be drawn up all right.

Mr. Davis: We would like him to do that.

Mr. Taylor: And when you make out the assets, how are you going to arrive at your values, Mr. Thomas? A.—As shown by the book.

Q.—That will be at cost? A.—Whatever the balance is there.

Q.—That will be what you paid for the reserve, as the value of it, although Mr. Tate has sworn to it being worth \$10,000,000; you bought it for \$207,000, and you value it at that, although Mr. Tate swore to this value.

The Chairman: And in face of the fact that you sold 40 acres of it for \$850,000.

Mr. Taylor: In the balance-sheet which you have prepared, it does not show that sale of \$850,000 at all; that is one peculiarity of that balance-sheet; it does not show that there ever was a sale to the Railroad Company, or that there was an outstanding note as an asset. You will remember that the balance-sheet was commented on at that time.

Mr. Shatford: Did you take that trial balance off your ledger? A.—Yes.

Q.—In order to present a different one, you would have to make another entry, then; you would have to credit yourself up with \$850,000?

Mr. Thomas: Oh, yes.

Mr. Hall: Just one question; I think you said a while ago that the amounts drawn by Mr. Stewart were \$763,000? A.—(Mr. White.) I think that was it.

Q.—On this Exhibit 206 I see a notation made, \$90,770 was drawn by Mr. Stewart; is that in addition to the \$763,000, or a part of it?

Mr. Kaufman: That was given afterward; that was an addition.

Mr. White: You mean this foot-note.

(Mr. Hall produced document to witness.)

Mr. Taylor: You are referring to the foot-note on page 4 of Exhibit 206.

Mr. Hall: So that his total approximately would be in the neighbourhood of \$850,000? A.—That would be it.

Mr. Hanes: Before we adjourn, Mr. Chairman, I would like to ask two or three questions of Mr. White. Mr. White, you said that Mr. Tate received a cheque for \$50,000, did you? A.—From memory, yes.

Q.—And what others do you suggest that he received? A.—There were some for \$25,000.

Q.—How many would you say? A.—I would have to look that up.

Q.—Have you got those cheques up here? A.—No, I didn't get them, but the record shows them.

Mr. Taylor: I would like to ask that Mr. Tate be here at our next session to explain what he did with that money. I suggest that we meet to-night to try and get through.

The Secretary: I suppose Mr. Tate will be here to-morrow morning.

Mr. Taylor: And he will produce his books and vouchers showing the disposition of the money.

Mr. Hanes: And we should ask Mr. Welch what he did with all these different cheques.

Mr. Maclean: Are we going to meet to-night, Mr. Chairman?

Mr. Taylor: Mr. Macgowan cannot be here until to-morrow morning; I would suggest that we meet to-morrow morning.

The Chairman: Very well.

Meeting adjourned to 10 a.m. of the following day, Friday, April 13th, 1917.

TWENTY-FOURTH SESSION.

FRIDAY, April 13th, 1917.

The Committee of Inquiry herein met at 10 a.m. pursuant to adjournment.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, L. W. Shatford, W. R. Ross, and R. H. Pooley; S. S. Taylor, Esq., K.C., appearing as counsel for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway; Messrs. E. P. Davis, Esq., K.C., and J. N. Ellis, Esq., appearing as counsel for Messrs. Foley, Welch & Stewart.

Minutes of previous meetings, April 11th and 12th, 1917, read by the Secretary, and formally approved.

Mr. Davis: Will Mr. Townsend be here this morning? I was not able to ask him this question yesterday, and I would like to have him called this morning.

The Chairman: Do you want to do that at the start?

Mr. Davis: Well, of course, I cannot now, because he is not here.

The Chairman: Well, he is around somewhere. We could easily have him called.

Mr. Taylor: In the first place, Mr. Chairman, I would ask for the production of the private ledgers. Are you able to produce the private ledgers?

Mr. Maclean: Private ledgers?

Mr. Taylor: Yes, which are referred to in the books of P. Welch—of Foley, Welch & Stewart.

Mr. Davis: That was a private ledger we did not bring over, Mr. Chairman; and inasmuch as it is a private ledger, it is not here.

Mr. Taylor: The private ledger is referred to throughout in the books of Foley, Welch & Stewart, and this investigation cannot get along without it, and the information which we desire to have is contained in that book, apparently.

Mr. Davis: Well, so long as all the entries in it which are private are not gone into that do not refer to this matter, I have no objection; but the private matters which are sealed up and treated in the way you mentioned the other day near the opening of this investigation, that have reference to this P.G.E. construction, we have no objection to produce that; but, as a matter of fact, this ledger is not here, but we can get it brought over. I understand that there are other matters besides this contained in it.

The Chairman: Well, do I understand that your books of account in regard to this business—it is mixed up with private matters?

Mr. Davis: So I am instructed.

Mr. Taylor: The private-ledger system is a very usual one. I frequently run across it in companies' suits. It is usually employed for the very proper purpose of keeping information away from their employees; when they want to distribute moneys among themselves for their own purposes, and not to let the employees know whether there is a dividend or otherwise, it is transferred to a private ledger account; hence a private ledger is just as much one of the books of that concern as the open ledger the clerk works on; it is the most important book, because you can get no finality until you get the private ledger; it is called "private" in proper business terms; it simply means it is to keep away from the employees certain matters, but nevertheless it is a very important part of the concern's books. We have had the oath of Mr. White and Mr. Kaufman that they produced every book, and that every book of the concern was here; and in the face of that oath we find the private ledger, the most important book of all, is not produced. To me it seems serious that an oath of that sort should be taken in face of that fact.

Mr. Davis: There is no necessity for any comment. The ledger is a private ledger I am instructed, but there is no notion of keeping back from this Committee anything connected with these matters so far as we are concerned; and we are quite willing to produce that if you say so, on the understanding that the private matters not connected with this investigation which are contained in it will not be gone into. And if there is any question about any of them, I am willing it should be submitted to the Chairman of this Committee, and if they have nothing to do with the investigation they should not be dealt with here.

Mr. Taylor: Anything that has nothing to do with this investigation will not be gone into; and no one knows better than Mr. Davis that I have not gone into anything of that kind here so far, and I intend to do this fairly throughout.

Mr. Davis: Then, surely my statement is one to which no one can take any objection, and there cannot be any objection to that procedure by the Chairman, who would be the person who would rule on it, just as a Judge in a trial; the matter would be submitted to him, and he would rule.

Mr. Hanes: Well, I would just like to ask Mr. Davis what matters there are in that ledger which are private; is it with respect to other contracts?

Mr. Davis: If I told you what was private in that ledger it would not be private any longer.

Mr. Taylor: Well, hardly that. I think Mr. Hanes's question is very proper. If it has anything to do with the P.G.E. it is all pertinent to this inquiry.

Mr. Davis: I have told you it is private. If there is any dispute about these matters we can submit it to the Chairman, who is to rule on it.

The Chairman: I have already given a ruling that all matters having anything to do with the Pacific Great Eastern inquiry are relevant and can be gone into; but take, for instance, the construction of the tunnel of the C.P.R.; that is a matter which was absolutely foreign to our investigation, and we are not a bunch of busybodies (although perhaps I did not use that expression before), but anything to do with the Pacific Great Eastern and its construction can be gone into here.

Mr. Taylor: Or the disposition of the moneys?

The Chairman: Yes, it is all pertinent, and everything must be produced; and I understand Mr. Taylor says that this private ledger is referred to in the books of the P.G.E.—it has reference to it in certain entries.

Mr. Taylor: It refers to large cheques issued to Mr. Tate, and large cheques to Mr. Welch. For instance, a \$400,000 matter was divided into eight cheques of \$50,000 each, and in that way

transferred to the private ledger; and it is important that we should know why it was transferred to the private ledger, and what was done with it. We ought to have that private ledger.

Mr. Davis: There is no question about it. Undoubtedly we will provide that for you. If there is any question about any of the items it can be gone into later—I have not seen it—and I am only going upon what I am instructed. I am quite prepared—and I think it is only fair to say that everything connected with this contranaction should be brought here—every book and document should be produced, and we are willing to do so. We will produce this book, and it may be there is nothing in there that cannot be gone into here. I may say I am not speaking of my own personal knowledge as to that book, but if there is any question about any pages, or anything of that sort, or any items not being connected with this inquiry, I am quite willing that that should be left to the ruling of the Chair as to whether it is admissible or not. I cannot do anything more than that; we will produce the book.

Mr. Taylor: There is no trouble about that. The ruling of the Chair is quite satisfactory to me, but I don't know why those conditions should be imposed. We have conducted this matter, I think, with utter fairness, and have tried to do nothing in the way of bringing in evidence that has been in any way unfair, and I will try to conform with that course throughout.

The Chairman: I will perform my duties as Chairman as they come.

Mr. Taylor: But surely that book is here now? Is it not here this morning? Is it not in Victoria?

Mr. Davis: No, it is not here in Victoria.

Mr. Taylor: When can we get the production of that book?

Mr. Davis: As soon as it can be brought over. There will be no delay about it.

Mr. Taylor: I ask all the private ledgers of the Pacific Great Eastern Railway, Foley, Welch & Stewart, P. Welch, John W. Stewart, and Timothy Foley.

Mr. Davis: We don't intend to produce any private ledgers of John W. Stewart. I will tell you that now, for several reasons. In the first place we have not got any, and in the second place they would certainly be private.

Mr. Taylor: I am speaking of the Pacific Great Eastern Railway's transactions, and of the Pacific Great Eastern Development Company's transactions, and the Equipment Company's transactions. These are the things we are investigating. If John W. Stewart has private ledgers concerning those transactions they should be produced.

Mr. Davis: As a matter of fact, there is only one book that has not been produced, of any sort or description in the matter, and that is the one which is private, and it will be produced.

Mr. Hanes: Are there three ledgers—private ledgers?

The Secretary: Is that what you want—the private ledger referred to in the books of P. Welch, and the books of the Development Company, and the Pacific Great Eastern Railway Company?

Mr. Taylor: And the Equipment Company.

Mr. Davis: As far as I am instructed, there is nothing in connection with any of these matters—no other book of any sort or description except this private ledger that we have been discussing.

Mr. Hanes: Well, what I say is that one private ledger may have different parts—private ledger "No. 1," and "No. 2," and "No. 3."

Mr. Davis: No, it is all in the one book.

Mr. Taylor: Mr. Davis has given his word as counsel that there is only one book, and as far as I am concerned I take that.

Mr. Davis: That is so far as I am instructed, and I have asked my client, and it can be checked up by bringing the men in and proving it on oath. Those are my instructions, however, and I have every reason to believe it, and I cannot go any further.

The Chairman: As far as I am concerned, your statement will be accepted absolutely, and if there is any qualification it can be checked up later. But, as I understand, that book will be here—when?

Mr. Davis: When will you meet again?

The Chairman: Well, possibly Monday morning at 10 o'clock. Well, I understand that Mr. Shatford cannot be here on Monday, so we had better meet on Tuesday morning. That is right, isn't it, Mr. Shatford?

Mr. Shatford: Yes.

The Chairman: We ought to give every member of the Committee an opportunity to be here.
Mr. Taylor: Couldn't you be here on Monday evening?

Mr. Shatford: No; not very well.

Mr. Taylor: Well, it will be Tuesday then.

The Chairman: Is that all right for the rest of the Committee to make it Tuesday morning instead of Monday morning?

Mr. Pooley: Yes.

Mr. Taylor: Can the books be produced before that time?

Mr. Davis: I don't know.

Mr. Pooley: Well, maybe we can take up some other matters in the meantime.

The Chairman: I think everything else can be cleaned up this morning.

Mr. Taylor: I think so. Mr. Macgowan wants to be called first. He wants to get away for certain private reasons. I will call him now.

A. H. B. Macgowan, called as a witness, being duly sworn, testifies as follows:—

Mr. Taylor: Mr. Macgowan, what is your full name? A.—Alexander Henry Boswell Macgowan.

Q.—Your name came up yesterday, Mr. Macgowan, in reference to certain cheques that you have received from P. Welch, amounting to approximately \$7,500. There is one on August 4th—no, August 7th, 1914, for \$1,000. This will be Exhibit 212—it is endorsed by A. H. B. Macgowan, per your attorney; one on October 3rd, 1914, for \$1,500, payable to yourself and endorsed by yourself; one on November 4th, 1914, payable to yourself, and endorsed by yourself to the order of "Macgowan & Co.," and signed by yourself; and one on December 2nd, 1914, for \$1,500, payable to yourself, and endorsed by yourself to Macgowan & Co.—no, to the order of Macgowan & Co., Ins. Ltd.; the next one is December 29th, 1914, payable to yourself, \$1,750—it is endorsed by yourself; and one on January 11th, 1915, for \$259.67, payable to yourself and endorsed by yourself. What have you to say about those cheques? A.—I received them and endorsed them as stated.

Q.—What consideration did you give for those cheques? A.—I had an interest in the contract.

Q.—What contract? A.—With Mr. Rankin. The firm, I think, was Rankin & Company—Mr. Rankin, Mr. Kellett, Mr. White, and myself were interested. Well, my interest represented really my firm's interest—my son's.

Q.—There was White and yourself? A.—Yes.

Q.—Had you any written partnership arrangement? A.—No.

Q.—Have you any letters or anything of that sort showing a partnership arrangement?

A.—No.

Q.—Did you ever visit the work where the sub-contract was being carried on? A.—No; it was too far.

Q.—Did your son? A.—No.

Q.—Did you ever invest any money in that sub-contract? A.—No.

Q.—Did your son? A.—Not that I know of.

Q.—You were a member of the Legislature at the time? A.—I was.

Q.—How much, if any, other moneys did you receive from any sub-contracts, or from P. Welch? A.—That was all that I know of. I am just speaking from memory, and from those cheques that are before you.

Q.—Did you receive any from Foley, Welch & Stewart? A.—No.

Q.—Or the Pacific Great Eastern? A.—No.

Q.—Or any one connected with the Pacific Great Eastern Railway? A.—From no person in the world.

The Chairman: I might point out that Mr. White said that there was \$9,000 given him.

Mr. Taylor: Yes. Mr. White said that there was \$9,000, and we have cheques for \$7,500. What do you say about that? A.—Well, I have an idea that it was between \$8,000 and \$9,000, but it was all cheques given in that way; but I don't know the amount of the cheques or the number of the cheques.

Q.—In what way did you enter it up in your books? A.—Well, my son had control of that part.

Q.—I see some are endorsed to your firm, but others are endorsed to your own private account, apparently? A.—No, they were all handed over to my son, as far as my memory serves me. There might be another cheque or two. I was under the impression that it was a \$9,000 amount. I could not find any papers, though. I got the wire to come over late last evening, and I could not find anything to refresh my memory from, and those cheques are the only things at the moment that would refresh my memory.

Q.—There were two cheques apparently passed through the Bank of Nova Scotia and deposited, I would judge, there. The stamp on the back is "Bank of Nova Scotia"? A.—Yes, exactly.

Q.—And the others are stamped on the back by the Molsons Bank? A.—Yes.

Q.—How do you explain that? A.—Well, the Molsons Bank at that time we had a part of our account in there, and a part in the Bank of Nova Scotia.

Q.—Where did you have your private account? A.—Well, I didn't really have a private account to amount to anything that I remember of at the time. The Bank of Nova Scotia account, I believe, was in my son's name and in my own.

Q.—Did you have any talk with the Honourable Richard McBride, and afterwards Sir Richard? A.—Not in regard to this contract.

Q.—Who did you interview in order to get an interest in Rankin & Kellett Company's business? Whom did you interview? A.—Well, I discussed it with Mr. Kellett.

Q.—And who else? A.—I think, Mr. Welch.

Q.—Mr. P. Welch? A.—Yes; and Mr. White—at the time I got an interest.

Q.—Before you had an interest, and in order to get an interest in it, who did you discuss the matter with? A.—I discussed very little this contract with any one. As a matter of fact, I was an applicant with another party for a contract, which I think came out in the evidence here.

Q.—That was in 1912. And this is all in 1914. We are dealing now with the letters of 1914. Those other letters were with respect to 1912, and early in 1912—April, June, etc.? A.—Yes.

Q.—But now we are dealing from August 7th, 1914, to January, 1915? A.—Well, when you asked me what moneys I had received, they were the only moneys I received at all from anybody—they were the moneys that came to me through that firm. There may be a cheque has gone astray there; I am not sure whether that is all the cheques.

Q.—We will assume that that is all, although you think there is a little more? A.—The only transactions I had in connection with any contract were with Messrs. Kellett, Rankin & White.

Q.—And who did you talk to, in order to negotiate that, and to get an interest in Rankin & Kellett's business before you got the interest—and as a result of which you got the interest—who did you discuss the matter with? A.—I believe I discussed it—in fact, I know I discussed it with Mr. Welch. The matter was discussed with my son, and with Robert Kelly for one.

Q.—Why with Robert Kelly? A.—Because he was a merchant and was doing business with these people, and he was interested in seeing me get interested in a contract with them, as a friend.

Q.—Were you ever in any railroad contracting before? A.—Well, I have done some business in railroading matters.

Q.—When? A.—Well, I was associated with the building of the White Pass Railway as purchasing agent and general agent throughout the whole construction; and I was interested in the Victoria & Sidney, creating the introduction of the Great Northern into Victoria; and I was interested in building a mining road up near Wellington.

Q.—That was your entire experience. Did you ever have any interest in any of these sub-contracts other than the Rankin-Kellett one? A.—Never.

Q.—Did you ever have any interest with Foley, Welch & Stewart, directly or indirectly, or any of their sub-contractors, either before or since? A.—Never.

Q.—And you had no particular business relations with Mr. P. Welch? A.—Nothing beyond the sale of goods that he would need from my business office. That was done through my son—with my firm.

Q.—And the nature of the goods was what? A.—Well, we did some insurance for the firm on a yacht.

Q.—Yes; and what else? A.—And we sold them some roofing for tents, I think.

Q.—And what would that amount to? A.—Well, it would not amount to a very great sum.

Q.—About how much? A.—Probably some few thousand dollars.

Q.—In connection with the P.G.E.? A.—Well, I suppose it went there.

Q.—What year was that? A.—Well, I am not sure.

Q.—About what year? A.—It would be during the time, certainly, of the construction of the Pacific Great Eastern.

Q.—Can you tell us about what year it would be? A.—I could not tell you now—not just what year the different items were sold. I remember the insurance particularly. I was not actively in touch with the work of the firm, but I remember the insurance particularly, because there was a loss on the boat.

Q.—How much did the loss amount to—what was your premium? A.—I could not tell you.

Q.—Was it a small yacht? A.—Oh, it was a pretty good-sized yacht.

Q.—What year was that? A.—I could not tell you that even.

Q.—You have not had very much then to do with Foley, Welch & Stewart. It is safe to say that. You have had very little business to do with Foley, Welch & Stewart, or Mr. P. Welch? A.—Very little.

Q.—Did you ever have any interest in any sub-contracts, or any railroad before, where you got in without investing any money, or without taking any part in the business, or without being intimately connected in any way with the sub-contractors previous thereto? A.—No; I have never been much interested in any contracts, except those I have referred to, and those were largely associated with other people; that is, I was acting for other people.

Q.—The fact is, you gave nothing for this \$7,000 or \$8,000 that you received these cheques for. You absolutely gave nothing for it? A.—Oh, I gave some attention to it.

Q.—Eh? A.—In discussing the matter with Mr. White and Mr. Kellett when we met. Mr. Kellett in a measure was in the same position.

Q.—Mr. Kellett is a well-known railroad contractor, isn't he? A.—Oh, I believe so.

Q.—That is his life-work, and he does nothing else but railroad contracting. We all know Mr. Kellett. He is a railroad contractor? A.—Yes.

Q.—So he would hardly be in your position. What is your business, Mr. Macgowan? A.—I am an insurance and commission agent.

Q.—Insurance and commission agent? A.—Yes. And, as I say, I have been associated with the railroad and railroad-works that I have referred to. Those have received more of my personal attention than my general business; because my son looks after it.

Q.—For what reason, Mr. Macgowan, do you think you were allowed to get this interest in this contract that you never put a dollar into, and never saw and never were associated with these men before—Rankin, Kellett & Company? For what reason was it, do you think, you were given an interest in that business? A.—Well, there were two reasons. One was, we endeavoured to get a contract—I had endeavoured to get a contract before with Mr. Murchison. I can explain that if you wish.

Q.—We have got the letters, I may tell you, of 1912, that were written between Sir Richard McBride and yourself, and between Sir Richard McBride and P. Welch, and between yourself and Mr. P. Welch respecting the Murchison matter, but, as I understand it, nothing came of that matter. And those letters were written in June, 1912, over two years before the transaction took place that we are dealing with, with respect to these cheques. Now, if you wish to say anything about that Murchison matter, I would be glad to have you make any explanation you desire. Those exhibits are Nos. 213 to 218, if you would like to see them. Would you like to see them? A.—Thank you. (Receiving letters for perusal.)

Q.—You have seen those, Mr. Macgowan? A.—Yes.

Q.—Do you wish to make any statement with respect to those letters passing between Sir Richard McBride and Mr. Welch and yourself and those parties? A.—I was going on to explain who Mr. Murchison was, as I thought that would be of interest to you. Mr. Murchison is quite a well-known contractor in the West. He was associated with the building of the White Pass Railway, which I say I was connected with, and he was also associated with the building of the Copper River Road, and he was, at the time this work was likely to take place, doing work on the Canadian Pacific Railway. He ran a local company formed. My son was one of his directors. It was necessary, I think, under the law that he should have some local directors, and he was associated in that way; and we did some correspondence with him in Vancouver, and

we felt that we would like to have a contract with Mr. Murchison which we would be interested in together.

Q.—Nothing came of that? A.—Nothing came of that.

Q.—No? A.—Well, then it was felt—Mr. Murchison went up to see the ground. He went over the ground where these contracts lay, and we could not get anything that suited him. There was a piece offered him, I understand, and it did not suit him, and he would not take it; and perhaps it was wise on his part. Well, then, it was felt that I had been disappointed in this matter, and it was taken up then with Mr. Kellett about my getting an interest in a contract, and later on it was decided that I should get a part of theirs.

Q.—When was it decided that you should go in with Rankin & Kellett—what year? You got your first cheque in August, 1914. When was it decided you should have an interest with them? A.—I would judge it would be early in 1914.

Q.—Early in 1914? A.—I would not say for sure, but it was along about there.

Q.—Do I understand you to say there was no correspondence with regard to the Rankin & Kellett transaction, and no correspondence that you know of in any way with Sir Richard McBride? A.—Not a particle that I know of.

Q.—Do I understand, then, that he dropped out of the matter so far as your interest was concerned? A.—Yes, that is what I understood.

Q.—When he dealt with the Murchison matter? A.—Yes, when he dealt with the Murchison matter.

Q.—Do you know of any other person, a member of the Legislature, having an interest in other contracts on the P.G.E.? A.—No, I don't.

The Chairman: Mr. Macgowan, you started out to give two reasons. I think you had better follow that up before you go on. You said there were two reasons for this, and you gave the Murchison matter as one? A.—Well, one of the reasons was, Mr. Kelly was associated with me in a measure—

Q.—Mr. Kelly—which Mr. Kelly? A.—Robert Kelly.

Q.—Of Vancouver? A.—Yes. That came up in this way: The different contractors on the Canadian Northern were having a great deal of trouble with the I.W.W.'s. Everybody will remember it; and there was a great deal of interest taken in the matter in Vancouver to try and get a settlement. A meeting was called in the Board of Trade rooms, to which I among others was invited to attend; and I took a good deal of interest in advising towards the overcoming of the trouble with the I.W.W.'s.

Q.—That was on the Canadian Northern? A.—Yes, on the Canadian Northern; and some of the same contractors that were associated with that, I believe, were associated with the P.G.E. Anyway, it was felt by Mr. Kelly and the different contractors—the different contractors who were represented in the interests that the I.W.W. were attacking—that they were indebted to me for the turn I had done them. I take credit for having had a good deal to do with lessening the trouble at Hope, or the line between Hope and other places. Now, it was on that ground that Mr. Kelly used his good offices towards having some consideration shown me.

Q.—And that he used those good offices with Rankin & Kellett—or with Mr. P. Welch? A.—Oh, I think with both of them.

Q.—Do you know? A.—No, I don't.

Q.—Therefore you say that you got an interest in Rankin, Kellett & White's sub-contract with the Pacific Great Eastern simply because some time before that, in connection with the Canadian Northern Railway construction, you had in some way or other influenced a settlement of this strike with the I.W.W.'s. Is that your argument? A.—Well, that was my idea at the time.

Q.—Have you any letter or anything of that sort showing that that was the reason? A.—No.

Q.—Do you know of any reason why, if that be true, that Mr. White and Mr. Kellett and Mr. Rankin should be singled out to divide their profits with you, as distinguished from all the other sub-contractors of P. Welch and Foley, Welch & Stewart? A.—Yes. My act was of great assistance to every contractor in the Province.

Q.—But why should they be singled out? A.—Because they are contractors.

Q.—Why not—if Mr. P. Welch, for instance—I understand that he was connected with the construction of the Canadian Northern; the Northern Construction and Welch were the main sub-contractors—why didn't P. Welch issue a cheque for the remuneration of your services in

assisting and settling that strike? Why should he do it in this roundabout way with Kellett, Rankin & Company, without even having your name appear in the firm? A.—There was just Rankin & Company in the firm, I think.

Q.—Yes. A.—Well, he would know the reason for that best himself.

Q.—He would know that best himself? A.—Of course, that may not have been the reason that he would give, but it is the reason I felt he had.

Q.—Now, what had you to do with the Canadian Northern Pacific and the I.W.W. strike? What was the main thing you did? A.—I attended committee meetings with them, and came to Victoria with them, and I attended a Board of Trade meeting here in the Board of Trade room.

Q.—You acted as a member of the Board of Trade in the City of Vancouver? A.—No, just as a citizen of Vancouver. I was not a member of the Board of Trade.

Q.—But there were a great many Board of Trade men on that Committee, weren't there? A.—Quite a few.

Q.—Those men did not interview the I.W.W.'s, did they? They would not have much influence with the I.W.W.—the Board of Trade in Vancouver, would they? A.—Well, I don't suppose anybody would.

Q.—They would belong to the so-called capitalistic class? A.—Yes; and the others would be opposed to them.

Q.—Now, the other members of that Board of Trade Committee, do you think that they are entitled to some of that remuneration in some of these sub-contracts of the Pacific Great Eastern, because on another railroad they came over to see the Government in connection with the strike of the I.W.W.? A.—If they were tender-seekers for a contract, or if they had done something to assist the contracting community, I think they would be entitled to something by way of remuneration.

Q.—At the time you were using your good offices in settling that strike in the interests of the people of Vancouver; that was your purpose, I understand? A.—Yes, certainly.

Q.—You were representing these very citizens as a member of the Legislature, weren't you? A.—I was.

Q.—And it was your duty to use your assistance in that way? A.—But there were other representatives who did not take the interest I did in it, or lose their time.

Q.—That may be. But there are always good and poor representatives in every community. The Chairman: You would not admit that now, Mr. Taylor?

Mr. Taylor: No.

Q.—Do you think that is a reason why, having as a member of the Legislature used your influence in connection with the Board of Trade of the City of Vancouver to assist in some indirect way the citizens of Vancouver, for the purpose of settling or attempting to settle in some way the strike with the I.W.W. along the line—away up in Kamloops, on the Canadian Northern Railway—that they or you should get a portion of sub-contracts on another railroad that is being built in British Columbia? Don't you think that is a little remote? A.—No. It was not the citizens alone I was representing in that strike matter. I represented all interests concerned in the strike—the contractors as well as the working-men that were run off by the I.W.W.'s.

Q.—By the way, you were not requested by the contractors to represent them, were you? A.—I was requested by them to accompany the delegation.

Q.—Who requested you, for instance? A.—I think Mr. Welch was the one who asked me to attend, and there was one of the Canadian Northern men—I have forgotten his name for the moment.

Q.—And were you requested by the I.W.W. men to go?

Mr. Maclean: That is a joke.

Mr. Taylor: No; I am asking him the question. It is not a joke. Were you requested by the I.W.W.'s? A.—No; and I guess you know I wasn't.

Q.—I am not joking; I was just asking you that. A.—No.

Q.—Were you requested by the Board of Trade? A.—No; this was a meeting of citizens.

Q.—How long were you in Victoria on that delegation meeting? A.—I think we were here a day.

Q.—For which you have got \$8,000 or \$9,000? A.—No.

Q.—Did you ask any remuneration at the time? A.—No.

Q.—How many years before you got this \$8,000 or \$9,000 did you make that visit to Victoria?
A.—I am not sure.

Q.—That is all, thank you.

Mr. Pooley: Mr. Macgowan, I suppose that Mr. Robert Kelly would be interested in getting this thing settled up, too, as a merchant? A.—Well, yes; and I suppose he would have a grocery account with them.

Q.—Do you know whether he was supplying them with goods at the time? A.—I believe he was.

Mr. Taylor: If that be true, then why didn't Robert Kelly pay you this money instead of Kellett, Rankin & White? A.—Well, he can answer that for himself.

Q.—It is an obvious answer to Mr. Pooley's question.

Mr. Hanes: As a member of the Legislature—

Mr. Pooley: My question was why Mr. Kelly should interest himself on Mr. Macgowan's behalf.

Mr. Hanes: I would like to ask you if you don't consider, as a member of the Legislature, it would be your duty to help in public affairs without expecting remuneration? A.—I did not expect remuneration.

Mr. Taylor: Then this remuneration you did not expect at the time you performed the services? A.—No, certainly not. The main consideration, I imagine, for giving this to me was because the Murchison matter was turned down. The other I gave just as a side-reason.

Q.—Early in 1914—probably you can tell me if it was before—it would be before March, 1914, that you made your arrangement to have your interest in the Kellett-Rankin contract?
A.—I think so.

Q.—You think so? A.—Yes.

Q.—You see, the Pacific Great Eastern Railway at that time was coming to the Legislature to get an extra \$35,000 a mile for thirty miles, and an extra \$7,000 a mile for 480 miles; and on the 4th March, 1914, they got that Bill through. You made this arrangement some time early in 1914, before the 4th March. A.—It might have been before or after; I am not sure.

Q.—Don't you think it is an unfortunate synchronizing of events? A.—I beg your pardon.

Q.—Don't you think it is an unfortunate synchronizing of events? A.—I don't know that it is. I don't see that any contract or sub-contract that I would have would affect me in my legislative duties at all. I think the citizens of Vancouver will believe that I would represent them as honestly with a contract as without; or without as with.

Q.—Where were you when you were promised this interest? A.—I am not sure just where I was.

Q.—You are not sure. Can you say whether it was Victoria or Vancouver? A.—Oh, it would be Vancouver.

Q.—Who was the person who first promised you this interest? A.—I think it was Mr. Welch; he said that Mr. Kellett had spoken to him about taking me into his work.

Q.—Did you then go to see Mr. Kellett to find out if that was true? A.—Yes.

Q.—And Mr. Kellett told you it was true? A.—Yes.

Q.—And did you then go to see Mr. Rankin? A.—It was Rankin & Company. Mr. Rankin was at the front most of the time. I met Mr. Rankin after the work was in progress.

Q.—You mean he was at the front of the work? A.—Yes.

Mr. Yorston: How far had this work progressed, Mr. Macgowan, when you got your interest in it? Was it just a new contract? A.—I am not sure. I am not sure.

(Witness aside.)

Mr. Taylor: If there are no other questions, I will call Mr. Tate. I will ask for the production of certain statements also. I see Mr. White is here. I will just ask him a question or two.

E. F. WHITE, witness, recalled.

Mr. Taylor: Mr. White, you made out annual statements—balance-sheets and statements for Mr. P. Welch while the contract was going ahead? A.—Well, they were not absolutely full statements.

Q.—Did you make out semi-annual statements? A.—No, at no stated periods.

Q.—But you would make out more than one during the year? A.—Possibly.

Q.—I would ask for the production of all those balance-sheets and profit and loss accounts. You took off profit and loss accounts at the same time, didn't you? A.—They were drawn off on this sheet you have there.

Q.—Well, I want to know whether you have any others on the file? A.—Well, I don't know just what they were.

Q.—But you will have them here on Tuesday, if there are any? A.—Yes.

The Chairman: Now, does that exhaust what you want produced; because this adjourning for further production is rather trying?

Mr. Taylor: We cannot tell, until we see what they produce on Tuesday, what will be necessary to further produce. That is the unfortunate difficulty that we are in.

Mr. Davis: Of course, as I understand it, all these books and papers are here, and when you say they will be produced, it is only a question of taking the time of producing them from here.

Mr. Taylor: Are those balance-sheets here, Mr. White? A.—No, I don't think they are.

Mr. Taylor: I thought we had the whole office over here.

Mr. Davis: I thought so too. If there is anything left up there, please get it down, including the office-boy.

Mr. Taylor: Mr. White, I would like to ask you another question just to settle up this matter: Do you know of any other private ledger that Mr. Davis has said there is only one of? A.—No.

Q.—There is only one—that is your understanding? A.—That is my understanding.

Q.—You are sure you can have it here on Tuesday? A.—Yes; that is the only book we have.

Q.—It is in Vancouver? A.—That is the only book.

Q.—No; I say it is in Vancouver now? A.—Yes.

Q.—I think we ought to be able to close this thing up on Tuesday, surely.

D'ARCY TATE, witness, recalled.

Mr. Taylor: Mr. Tate, in going over the books, we find there were seven large cheques issued to you by P. Welch—one on November 25th, 1914—no, on January 16th, 1915, there was a \$50,000 cheque issued to you; and I am not sure, but I think it was transferred to the private ledger. What was the reason for that? A.—What was the amount of that—\$50,000?

Q.—Yes; issued January 16th, 1915. As a matter of fact, there were two \$50,000 cheques, making up \$100,000 in all, issued on that date? A.—Well, these were payments made to me on my personal account by J. W. Stewart.

The Chairman: What is that again? A.—These were payments made to me on my personal account from J. W. Stewart. You see, that was in connection with the inception of the whole matter. I had an arrangement with Mr. Stewart whereby this franchise was turned over to Foley, Welch & Stewart, and that was part payment of my commission in the matter; and my arrangement was entirely one with Mr. Stewart, made in the fall of 1911, after Mr. Hays had definitely decided that he would not construct the north and the south road of the Grand Trunk Pacific.

Q.—And do I understand that you at that time got \$100,000 in January, 1916, as your own private funds? A.—Absolutely. That was part payment of it.

Q.—Part of your own estate? A.—Yes.

Q.—And what was the whole amount that you should get? A.—Well, isn't that a personal question? I have no objection to answering it, but I don't think it is hardly a fair question.

Q.—Yes, it is. These moneys came out of the Pacific Great Eastern Railway Company? A.—They did not.

Q.—This is P. Welch's cheque? A.—Well, I don't know anything about that. I did not know Mr. Welch in that matter. I simply made an arrangement with Mr. Stewart in Winnipeg, in the fall of 1911, whereby if I turned over this franchise to him, I was to get a certain stated commission and 25 per cent. of the capital stock of the Company.

Q.—Was that put in writing? A.—No, it was not.

Q.—It has never been put in writing? A.—No.

The Chairman: Will you repeat that again? A.—I was interested first in trying to get this road built by the Grand Trunk Pacific, and I made two or three fruitless trips out here to see the Government, and I tried to come to an arrangement between Mr. Hays and the Prime Minister—

Q.—You were counsel at that time for the Grand Trunk, were you? A.—The Grand Trunk Pacific. And then Mr. Morse, he was not enthusiastic about the matter, and he left it to the president and myself—Mr. Hays. And Mr. Hays promised me he would try and interest the president of the Company, Mr. Smithers, in the matter, and to keep it in abeyance until Mr. Smithers came out. And Mr. Smithers and Mr. Hays and I finally attended on Mr. McBride on Wednesday, the 6th September, 1911, and the thing was all discussed, and Mr. Hays and Mr. Smithers definitely turned down the act of building the north and south road. Then Mr. McBride informed Mr. Hays that he intended at the next session of the Legislature to put through a measure providing for the construction of that line independently of the Grand Trunk Pacific; and Mr. Hays said, "Very well." And then I took the matter up from that time on in a personal way. I first saw Mr. Hays and asked him if he had any objection to my forming a company for the construction of this north and south line, and, if so, would he make a traffic arrangement with us? And he said it all depended on the personnel of the Company, and I mentioned Foley, Welch & Stewart, and he said he had had some business dealings with them, and he was agreeable if a satisfactory arrangement could be made; so I saw McBride afterwards. And, of course, what appealed to McBride was getting a traffic arrangement with the Grand Trunk Pacific. That was really the next thing to getting the Grand Trunk Pacific; and he said if the contractors were responsible he would have no objection. He informed me that there were other applicants, and I asked him who the applicants were, and I was told Norton-Griffiths, and I think Mr. John Hendry, and Mr. Carter Cotton's Company, and the Howe Sound Company. And so I saw Mr. Stewart then, and after I got it working pretty well together I told him I thought I could get this franchise; and I told him I would want a reasonable commission if I severed my connection with the Grand Trunk Pacific. And so we agreed on the figure then, and it was one-quarter of the stock of the Company; and nothing was said at that time about the stock of the Development Company. That was an after consideration.

Q.—But you agreed on the cash figure and on 25 per cent. of the stock of the Railway Company? A.—Yes.

Q.—As your commission? A.—That was my commission. Of course, I was to secure the franchise, and if there were any disbursements to be made out of that commission, I was to take care of that.

Q.—And you think you should not tell what your commission was? You don't mind telling about the 25 per cent. of the shares, but you do object to telling about the cash part of it.

Mr. Maclean: I don't think you should go into his private affairs.

Mr. Taylor: I am not asking any advice. As far as I am concerned, I think you should state it; but if you don't wish to state it, you can appeal to the Chair? A.—No, I want to be fair in the matter, and I want fair treatment from yourself and the Chair, and I think you have given me that. If the Chair thinks it is fair for me to answer it, I have no objection; but I think really it is a personal matter.

Mr. Pooley: This arrangement was with Mr. Stewart, you say? A.—Yes, between Mr. Stewart and myself—a private arrangement. I never even saw Mr. Foley then, and my arrangement with Mr. Welch was a perfunctory matter. The P.G.E. was not born then, and I never saw Mr. Welch or Mr. Foley until I saw them in Pasadena in February, 1912.

Mr. Taylor: Mr. Tate, you know that 25 per cent. of the shares meant 25 per cent. of Foley, Welch & Stewart's shares; and you know that you got two \$50,000 cheques. In view of your own admission, that means the cheque of Foley, Welch & Stewart, so as far as I am concerned, it won't do for you to say it was a private transaction between you and Mr. John W. Stewart? A.—Well, of course, I am giving the evidence, and you must not give my evidence.

Q.—I am repeating the evidence. Now, I think you should state how much you got for your commission? A.—Well, my arrangement was with John W. Stewart, and I had nothing to do with the firm at all; and he said he would arrange that matter with Foley and Welch himself. I was to get 25 per cent. from the Company.

Q.—That is said to be the same as Foley, Welch & Stewart? A.—No—in the Railroad Company.

Q.—That is said to have been the same as Foley, Welch & Stewart. We will not argue it one way or the other. A.—Well, I don't think I should state the amount of cash I got.

The Chairman: I rule that the question should be answered. A.—Well, my commission was \$500,000, irrespective of any further sum in connection with the Peace River Extension.

Q.—How much of that \$500,000 has been paid to you? A.—Well, I would say the whole of it has been paid now.

Q.—The whole of it has been paid? A.—Yes.

Q.—In cash? A.—Yes.

Q.—By cheques from P. Welch? A.—No, by cheques from J. W. Stewart. I may have got some of the last payments from P. Welch, but it was in pursuance of a request from J. W. Stewart.

Q.—Was that money paid to you for a commission, or some other purpose? A.—Absolutely for a commission, but with the understanding that I was to deliver the franchise and take care of any incidental expenses.

Q.—Was there any understanding that you should do anything else with any part of that money? A.—Well, put your question more specifically, Mr. Taylor.

Q.—Was there any understanding that you should do anything with any part of that money? A.—I was to secure the franchise from the Government, and I was to secure the traffic arrangement from the Grand Trunk Pacific.

Q.—But you were paid after the franchise was obtained? A.—No. The arrangement was made before that. It was made in the fall of 1911.

Q.—We have the cheques here showing the payments after the franchise was obtained. Now, my question is, was there any understanding that you should do anything with any part of that money? A.—I was to take care of any incidental expenses necessary to secure the franchise.

Q.—But the franchise, as I told you before, had been already obtained when the money was paid? A.—No; pardon me.

Q.—When the money was paid the franchise had been obtained. Now I am talking of when the money was paid, or any time after the money was paid, was there any understanding that you should do anything with any part of this money? I am instructed to ask you these questions. It is not pleasant, but I have to discharge my duty. A.—But you are mixing up the case. I say that this agreement with Mr. Stewart was in the fall of 1911, when the franchise was not obtained. I did not say the money was all paid then, because it was paid afterwards in instalments as I requested it from Mr. Stewart.

Q.—But was there any understanding at any time that you should do anything with any part of this money? A.—At the time I made the agreement, yes.

Q.—Or at any other time? A.—No; the original understanding went.

Q.—Was there any understanding at any time that you should dispose of any of these moneys in any particular way, or any part of it in any particular way? A.—No; the moneys paid to me were to take care of all incidental expenses incurred in securing the franchise, and in securing the traffic arrangement with the Grand Trunk Pacific.

Q.—What do you mean by incidental expenses in connection with securing the franchise?

Mr. Pooley: I suppose it was so Mr. Stewart would not be called upon for any further commission.

Mr. Taylor: The witness can answer it.

Witness: Mr. Stewart was not to be called upon for any other disbursements. I was to make good everything.

Q.—What were the incidental expenses you had to take care of? A.—I undertook to take care of the campaign funds. That is what you are after, isn't it?

Q.—Please don't put it that way. A.—Well, you are very insistent in your question.

Q.—That is my duty. You were to take care of campaign funds? A.—Yes.

Q.—To what extent did you take care of campaign funds? A.—I don't think that is a proper question. I fulfilled my duty, and I took care of campaign funds.

Q.—I think that is one of the most important questions to be answered in this investigation and you should answer it. A.—I think that is a personal matter, because any campaign funds that I paid, I paid out of my own pocket.

Q.—Do you refuse to answer? A.—Well, I will appeal to the Committee. I only ask for fair play in this matter and for fair treatment in this matter. It was my own money.

Q.—That is all I want. A.—You might as well say—if I need a trip to Seattle, what did I do with the money.

Q.—You said that part of the arrangement was you were to take care of the campaign funds? A.—And obtaining this charter.

Q.—If that is not an important thing, I don't know what is. Now, what is it you were to do? A.—It is understood, what campaign funds are. It is not necessary for me to explain.

Q.—We want to know how this money was spent. We don't care what the party is—whether it was Liberal or Conservative, or who the individual is. I am here simply instructed to ask questions, and this is one of the questions I am instructed to ask, and I am discharging my duty; but, as I told you before, it is very unpleasant to have to ask it.

The Chairman: You have to answer it.

Witness: Well, my duty was to take care of the campaign funds as far as the Conservative party was concerned.

Mr. Taylor: And to what extent did you take care of the campaign funds? A.—I would ask my counsel if that is a proper question for me to answer.

Mr. Maclean: Well, the position I wish to take is this—

Witness: In the first instance—

Mr. Maclean: Just one minute. If the Chairman desires this information I am going to ask Mr. Tate to give it. If you rule, Mr. Chairman, although Mr. Tate does not want to give this information, naturally on account of it being a private matter, yet if you rule that he should give it, and insist that it should be given, then I say Mr Tate is bound to submit to the ruling of the Chair.

The Chairman: Mr. Tate is not bound to submit to a ruling of this Chair unless it is right, and I understand by Tate he was obligated by the promoters and joint promoters of this scheme to take from the funds that he obtained in this way—he was to take care of the campaign fund; and my ruling is that that is all pertinent to this inquiry. It is not a case of what I desire or don't desire. I am simply here to give my ruling, and I rule it is pertinent to this inquiry.

Witness: Well, these funds I got from Mr. Stewart—or the funds which were agreed I was to get from Mr. Stewart—they were funds that were in existence before the Pacific Great Eastern was ever heard of; and inasmuch as it formed part of my own personal property, I don't think that the Committee has jurisdiction to compel me to answer. I don't understand the remarks of the Chairman exactly.

Mr. Taylor: Mr. Tate, I was asking you about two cheques which you were given of \$50,000 each; and you say that there were several others amounting to \$500,000; but there were two cheques issued by P. Welch out of the Pacific Great Eastern Construction Company's moneys, and those were obtained formerly, from the Government; the dates are January 16th, 1915, and subsequent dates.

Mr. Pooley: Now, I understood that these moneys came out of Mr. Stewart's own pocket: isn't that so? A.—Yes, certainly; absolutely.

Q.—And they have nothing to do with Foley, Welch & Stewart? A.—No.

Mr. Taylor: Now, the question I ask you is, to what extent did you take care of these campaign funds; I want to know what disposition you made of them? A.—Well, I refuse to answer.

Mr. Hall: I move that the witness be directed to answer.

Mr. Hanes: I ask that the witness should answer this question.

Mr. Pooley: Then, I say if he is directed to answer that, we should follow this up still further and go into Mr. Welch's own private affairs.

The Chairman: Just let us deal with one thing at a time.

Mr. Hanes: Mr. Chairman, I think we should have this question answered.

Mr. Pooley: I think if you want to get this information you should go back to the House for further instruction, and not single this man out to tell his private affairs.

Mr. Hanes: I submit we should ask the question, because the ledgers which are produced here show there were moneys received out of the moneys of the Government, and paid to Mr. Tate, and if Mr. Hall puts that as a motion, I second the motion.

Witness: Mr. Chairman, I object, of course, to my position being interpolated with remarks from Mr. Taylor and Mr. Hanes. The moneys I got had nothing to do with the proceeds of the guarantee bond of the Pacific Great Eastern. My arrangement was with Mr. Stewart personally, and any money I got from Mr. Stewart came from him in the first instance entirely

out of funds that had no connection with the Pacific Great Eastern. As far as any later payments are concerned, I know nothing about that. All I know is that those payments came to me in pursuance of my original arrangement with Mr. Stewart, and I don't know Mr. Welch in the matter, and I have no knowledge of those cheques Mr. Hanes refers to. All I know is that the money came to me in pursuance of requests made by me to Mr. Stewart, having reference to the original arrangement entered into between us; and I say that this money, forming part of my personal property, and being my own absolutely, that this is not an investigation of my personal affairs, and I decline to answer, with all due respect. I am not at all inclined to flout the jurisdiction of the Committee, but I want to keep within my own rights.

The Chairman: Now this question has been put. Does any counsel wish to present any argument on it, or do any of the members of the Committee wish to discuss it further?

Mr. Pooley: Well, personally, I propose as it now stands to vote against the motion for this reason: That Mr. Tate is being singled out to give his private affairs here; and unless it is understood that we go ahead and inquire into these other personal payments that were made by Stewart—that Mr. Taylor mentioned yesterday—I will certainly not vote in favour of this motion.

The Chairman: We have to decide this question that is before us on its merits, and not make any bargain. You have the privilege and every member of the Committee has the privilege of dealing with these questions as they arise.

Mr. Pooley: I am explaining to you my reasons for voting against this resolution as it now stands.

Mr. Taylor: I am willing to go into any matter that is suggested to me, and this is the only one that has been suggested up to date. If there is anything else—I don't care whether it is Liberal, or Conservative, or Socialist, or any other party—I will go into it, because I think the people of British Columbia should know the facts; and I am here to bring them out; and if any person here should suggest any line of investigation for me to go into—or if Mr. Pooley can give me any assistance, I am willing to follow out his request.

Mr. Hall: Yes, I think that is quite right. And if Mr. Pooley suggests there were other payments of this nature made either by the contracting firm or by Mr. Tate, then certainly steps should be taken to see that the whole matter should be brought out, and as far as I am concerned I am in support of it.

Witness: Well, in connection with the stand taken by me, I wish to file a statement which was presented by Mr. Stewart to the Executive of the Province.

Mr. Pooley: What do you mean by Executive? A.—The Provincial Executive, presided over by Sir Richard McBride, as showing an advance by Foley, Welch & Stewart as of the 31st December, 1915, of their own funds to the amount of \$3,068,163.70. So that when my learned friend states that any payments which were made to me were given out of the guarantee bonds, I take exception to that statement. I was dealing altogether with Mr. Stewart in regard to his own personal funds, and which funds when they came to me were my own personal property; and I also know as a fact when I made a request from time to time for payments on account from Mr. Stewart, he would always say to me: "You will have to wait until I get to Prince Rupert"; or "I will have to get this from Hazelton"; and I know that the earlier payments came to me from Mr. Stewart's account on the work of the Grand Trunk Pacific; and these cheques of Mr. Welch I don't know anything about at all. They were simply the result of a request preferred by me to Mr. Stewart.

Mr. Hanes: In speaking to the motion again, if you will permit me for the second time, I wish to vote for this motion, and also to vote for any one along the same line that Mr. Pooley would suggest, in order to follow this thing out to the limit, because that is what this inquiry is for. It is to go into all these matters connected with the Pacific Great Eastern and its moneys, and we want to know everything that has happened. Our instructions are to make a thorough and searching inquiry, and I think we would be quite justified in voting for this motion and any other that Mr. Pooley might suggest which would throw more light on this inquiry.

Mr. Davis: I understand this, Mr. Chairman: There was an agreement made by Mr. Tate with Mr. Stewart in 1911 by which he was to receive the sum of \$500,000 for various considerations, one of which was, as mentioned by Mr. Tate, to take care of any campaign funds. Now, that \$500,000 belonged entirely to Mr. Tate. It was up to him to do what he liked with it.

He could make, if he chose, contributions to campaign funds, or he need not do so. That \$500,000 belonged to him, and it was his own money. Therefore, if it comes to a question of what he contributed to campaign funds, I submit it is exactly the same as if any other party were asked what he contributed; and I submit that has nothing to do with this investigation, for this reason; the evidence that he has given shows that those moneys do not come from either the P.G.E., or from the Development Company, or the Equipment Company, or from Foley, Welch & Stewart, except by reason of this arrangement which he made with Stewart. Those are his own moneys, and if he contributes any part of them to campaign funds, or to anything else, he is contributing his own money, and there is just as much reason for asking what contribution he made to campaign funds as asking what money he spent in a personal way with regard to any of the rest of the \$500,000.

The Chairman: Well, Mr. Davis, there is one very unfortunate omission in your argument, and that is, Mr. Tate has told us that those moneys were paid incidentally to getting the franchise for this railroad, and when it is told this Committee that campaign funds were put up to any party as an incident of getting the franchise, on which this whole thing was based, then, as far as my mind is concerned, there is no dispute about it at all.

Witness: Well, of course, Mr. Chairman, that is again extending my statement further than the fact warrants. I did not say I was putting up the money to secure the franchise for this road. I simply undertook, from the special position in which I was placed at that time, to deliver this franchise to Foley, Welch & Stewart. You will pardon me for perhaps amplifying this a little, and I don't wish to appear egotistical at all, but it is necessary to the discussion. There was no person who could have secured the passing of these two Acts (whatever they are—34 and 36) except myself at that time, because owing to my association with the Grand Trunk Railway, no one could have got the traffic arrangement with the G.T.R. that I got. Norton-Griffiths tried to get that from Mr. Hays, but I was able to prevent that; and therefore Mr. McBride could not secure the competition of the Grand Trunk without my intervention. In the same way I was able, owing to my dealings with the Government for the previous two years in connection with the Grand Trunk Pacific matters—I had a fair amount of personal influence, but of a perfectly proper kind; and that is where I was perhaps very valuable in being able to secure the franchise. Now, from that time on, until, say, September or March, I was engaged almost continuously in securing this franchise. Mr. Stewart was laid up ill in Pasadena. He was not on the scene at all; and Mr. Foley was not here yet, and Mr. Welch only saw Mr. McBride once; so the matter devolved upon me personally; and but for my personal intervention at that time the franchise would not have gone as it did. Now, the sum of \$500,000, looking at it concretely, may appear liberal, but it is not so liberal when you take into account what was delivered at that time. For instance, Norton-Griffiths were quite willing to contribute a good deal more than that to us if we had allowed him an equal share of the Board. Mr. Howard, his manager, spent several weeks with me in trying to get a half-interest in that franchise, which I persistently turned down; and, so far as the commission goes, it was a very moderate sum compared to what was delivered for it. And if it had not been for the war, and all the untoward events that have happened since, this road would have been in operation between Vancouver and Fort George, and everything would have been all right; and it is simply because of the way the thing has turned out the matter has developed in this way.

Mr. Yorston: Did I understand you to say that there was an understanding, when you got this \$500,000, that part of that was to be used for campaign purposes? A.—No. The understanding was that I was to deliver the franchise for the payment of \$500,000, and I was to take care of all incidental expenses, and, if necessary, make the necessary contribution to campaign funds; and that was the understanding. There was no idea of buying the franchise, or anything of that kind. I have made contributions to the campaign funds for the last fifteen years.

The Chairman: We are only concerned with the Pacific Great Eastern moneys.

The Secretary: Mr. Hanes said that certain parts of these moneys were paid to you by the Pacific Great Eastern Railway? A.—Well, I take exception to that statement. I knew nothing about it.

Mr. Hanes: The books show it.

Mr. Taylor: You got \$100,000 on one date? A.—Well, that was charged to Mr. Stewart's account.

Mr. Hanes: It does not show that.

Mr. Taylor: No. It was issued by P. Welch to you—to D'Arcy Tate; two \$50,000 cheques on January 6th, 1915, and you say this was part of the \$500,000? A.—Yes. And that was charged back to Mr. Stewart's account.

Mr. Hanes: You speak pretty often of that Act of Incorporation; what Act was that? A.—I am speaking of the Great Eastern Railway Company's Act.

Q.—Now, what firm of solicitors did you pay for the preparation of that Act of Incorporation? A.—I don't think I paid any one. I think I prepared it myself.

Q.—Well, I will ask Mr. Thomas. A.—Mr. Thomas was not engaged then. I was—I engaged Mr. Thomas in May, 1912.

Q.—Well, didn't the Pacific Great Eastern Railway pay Mr. Luxton \$500 for his interest in securing the Incorporation Act in April, 1912, or for preparing it? A.—I don't think so; but if he did, that was all right. He might have done it. I am not denying that. There is no point in that.

Mr. Pooley: I would like to know that.

The Chairman: Don't let us get away from the question we have before us. We have had a motion put here. It is a serious motion, and it must be dealt with by itself, without any other matters coming in.

Mr. Shatford: It is understood that all these payments in connection with this \$500,000 payment will be gone into by the Committee?

The Chairman: There is no bargain being made with the Committee. The question before us is a very straight question, and I am going to rule on every question as it arises, without any bargain having to be made. Of course, the way you ask the question, Mr. Shatford. I don't think you meant it as a bargain.

Mr. Shatford: No, not at all.

The Chairman: I will withdraw that. But I do not think any intimation as to what the next step will be is involved in this motion.

Mr. Taylor: I will volunteer this. I intend to ask Mr. Tate to make an absolutely full statement, and I don't care who it hits. My instructions are to ask the question, and if it hits Liberals or Conservatives, it makes no difference—no matter how high their office, or how low their office; and no matter who it is, we want the information.

The Chairman: Now you have heard the question, are you ready for it?

Witness: I make this statement. I made no payment to campaign funds prior to the franchise of the Pacific Great Eastern—prior to its being obtained, and prior to the Act of Incorporation.

Mr. Taylor: Does Mr. Tate intend to answer the question before the motion is put?

The Chairman: I think the discussion has been exhausted. All those in favour of the motion made by Mr. Hall and seconded by Mr. Hanes say "Aye." (Vote taken—motion carried.) The motion is carried, but I think we had better have a show of hands.

Mr. Hall (to Chairman): You can vote on that.

Ayes: Messrs. Farris, Anderson, Hall, Hanes, and Yorston. Noes: Messrs. Pooley, Ross, and Shatford. Motion carried.

Mr. Taylor: Will you answer the question now, Mr. Tate? How much of this \$500,000—how much of the moneys (you stated them as being \$500,000, and if they were more we will not limit them to that) have you contributed to campaign funds for any party? I don't care what the party is. I want you to name the party afterwards? A.—Well, I still think, Mr. Taylor, that I should decline to answer that question, as being outside the scope of this investigation.

Q.—Do you refuse to answer? A.—I have to take that responsibility, I am afraid.

Q.—Then, I understand that you defy the ruling of the Committee? A.—That is not a proper word to use—"defy."

Q.—I am using that word "defy" because the Committee has ruled you should answer it. Do you refuse to answer? Now, we will not spend time in arguing over a particular word that is to be used? A.—If it is fair and within the authority of the Committee to ask me

this question, I am quite prepared to answer it; but if the Committee is exceeding its authority, I don't want to answer it.

Q.—But you think that the Committee is exceeding its authority in asking this question?
A.—I do.

Mr. Pooley: And that is my reason for voting against it.

Mr. Taylor: If there is any doubt about there being any authority, I would suggest the Committee going back to the House to get the authority.

Mr. Hall: Personally, I have no doubt as to our authority. Now, I would say, as far as I am concerned, if Mr. Tate declines to answer, I would bring a motion in the House to have Mr. Tate's attendance before the Bar. But I do not think it is necessary to go to that trouble.

Witness: You understand my position. Assuming that the Committee has no jurisdiction to ask me to answer that, I would be volunteering something that would be unnecessary; and if the Committee have the inherent authority to compel me to answer that question, I have nothing further to say.

Mr. Hall: I do not think it is open to argument at all. Here are the two payments. It first started out on the payment of \$100,000, and it is shown in the course of our investigation that the rest of these payments follow that \$100,000, but there were two cheques of \$50,000 paid to Mr. Tate.

Mr. Pooley: And the evidence is that that money was charged up to Mr. Stewart's private account.

Mr. Hall: But we know that Foley, Welch & Stewart are all interested in this account.

Mr. Pooley: Not if it is all charged up to a private account of Stewart's.

Mr. Taylor: Do you refuse to answer this question, Mr. Tate? A.—I do.

Mr. Hall: Well, I move that this Committee report the whole matter to the House.

Mr. Hanes: I second the motion.

The Chairman: I must say that I am not familiar as yet with the exact procedure of doing that. I don't know whether Mr. Hall is right or not.

Mr. Taylor: That this Committee take the necessary steps to compel the answers to be given. That will cover everything; or extend the authority to the Committee, if necessary—that will cover everything.

Mr. Hall: My suggestion would be this: That I make one motion, including your suggestion as well. Mr. Taylor, in that motion—namely, that the Committee report to the House the refusal of Mr. Tate to answer the questions with respect to the disposition of the two cheques of \$50,000 each, and the payments made for campaign purposes.

Mr. Taylor: Out of the \$500,000 received.

Mr. Hall: Out of the \$500,000 received.

Mr. Maclean: You might say, on the ground that the Committee has no jurisdiction to ask it.

Mr. Hall: Giving as his reason the statement that the Committee has no jurisdiction to ask it. Now, if we can work in the other part of your motion into this, it will be better to have it all in one. You might just dictate that, Mr. Taylor, so that we will have it all in one.

Mr. Taylor: And that this Committee request the House to give this Committee authority to enable them to investigate the disposition of all moneys used by Mr. Tate, or any other person connected with the Pacific Great Eastern Railway.

Mr. Hall: If I might make the suggestion, I would rather have that first part of your statement in first.

Mr. Taylor: Which is that?

Mr. Hall: My view of the correct procedure in this matter is for the House to direct Mr. Tate to appear before the Bar. Now, if that might come on by way of an alternative at the end, I think it would be more satisfactory.

Mr. Taylor: Well, we will put it this way if you will allow me: That this Committee report to the House the attitude taken by Mr. Tate in respect of the question asked.

The Chairman: Attaching thereto a copy of the evidence.

Mr. Taylor: Yes, attaching thereto a copy of the evidence given by Mr. Tate this morning, and of the proceedings held this morning after he was called as a witness. And that this Committee, if the House be of the opinion that further powers are necessary, further request that such powers be given it to compel Mr. D'Arcy Tate, and any other person or persons, in any

matter, directly or indirectly, connected with the Pacific Great Eastern Railway, or Foley, Welch & Stewart, or P. Welch, or any other persons whatsoever, to give any and all evidence, produce any and all papers and vouchers showing the disposition of any moneys for campaign purposes, or for political purposes, or otherwise, for the purpose of obtaining charters, advantages, or benefits, or moneys, or influence in respect of and in support of the Pacific Great Eastern Railway, its properties or enterprises, or contract or undertakings; and that the House do take such steps to compel such evidence to be given.

Mr. Hanes: I second the motion, if that is Mr. Hall's motion.

Mr. Hall: Yes.

Mr. Shatford: Would you have any objection to adjourning this matter? This came up hurriedly, and it hardly gives one time to go into the matter.

Mr. Hall: I think I would object to an adjournment, for this reason: Because this is now about the sixth week of the session, and we are already having to adjourn until Tuesday, and there has been considerable delay, so I think that we should press this matter forward now; unless there is some very substantial reason for adjourning it given.

Mr. Shatford: No; only it ran in my mind that we would want to consider the matter more fully.

The Secretary: Well, the Committee does not meet again till Tuesday, so it may take a little time probably to get the debate on in the House.

Mr. Taylor: I don't want my convenience to be considered at all, but I will tell you I cannot attend if it is going to be postponed. I have to go into my Court of Appeal work next week, but the Government wants me to attend as counsel as much as possible.

Mr. Hanes: I don't think this needs any consideration, except to vote on it. I am against delaying the matter.

The Chairman: You have heard the motion. Is there any further discussion? Those in favour say "Aye." I will take a show of hands.

Motion carried.

Mr. Taylor: I will not ask any further questions until that matter be disposed of. I will file a paper which Mr. Tate has just produced, however, reading as follows:—

"Vancouver, B.C., December 31st, 1915. Pacific Great Eastern Railway to Foley, Welch & Stewart, Dr.

"Railway Contractors' Statement.

"To total amount advanced to the P.G.E. Railway to date..... \$3,068,160 23

To interest from December 31st, 1915, to June 30th, 1916, on Union

Bank Loan to the P.G.E. Railway..... 144,000 00"

This loan was guaranteed by Foley, Welch & Stewart. This will be what exhibit?

The Secretary: Exhibit 219.

Mr. Taylor: Unless the other gentlemen want to ask some questions, I cannot proceed further until the private ledger is produced, or until Mr. Tate gives a positive answer to that question.

The Chairman: Well, we want to ask Mr. Thomas some questions, and then we might adjourn. Mr. Hanes, if you think it is advisable to pursue examining Mr. Tate now, it will be all right. But Mr. Townsend is here, isn't he?

Mr. Hanes: Mr. Tate, I think, is the proper man to ask about it.

The Chairman: Go ahead.

Mr. Hanes: I will ask Mr. Tate to produce the ledger or account-book showing the payment of moneys from the Pacific Great Eastern Railway.

Mr. Tate: Are those here (to Mr. Thomas)?

Mr. Thomas: I presume the book showing the payments would be the cash-book.

Mr. Hanes: Well, the cash-book.

Q.—Mr. Tate, you did some advertising with the North Shore Press, Limited, North Vancouver? A.—I think so, yes.

Q.—Well, would you look it up? A.—(Referring to book.)

Q.—Give us, roughly, how much you paid.

Mr. Maclean: *North Shore Press*; is that the name of a newspaper?

Mr. Tate: \$1,000.

Mr. Hanes: Yes.

Mr. Taylor: What is the date?

Mr. Hanes: I am referring to the *North Shore Press*. A.—That is right; George A. Morden, North Vancouver.

Mr. Taylor: \$1,000; the date, please? A.—9th March, 1915.

Mr. Hanes: That is not correct, as I understand it, and I want to make it correct. I am asking you for the *North Shore Press*. A.—You want the items?

Q.—Well, there are several items, are there? A.—Yes.

Q.—Would you say that was a payment of money you made to the *North Shore Press* for printing and advertising? A.—Yes, as specified.

Q.—As specified here? A.—Yes.

Q.—Well, then, take the payment to George H. Morden of \$1,000 in March, 1915; will you look that up? A.—Yes.

Q.—What date was that paid? A.—9th March.

Q.—19 what? A.—1915.

Q.—Now, how did you come to make that payment? A.—That was in consideration of publicity-work.

Q.—Well, I would like to know in what way? A.—Well, to the *North Shore Press*, I suppose, writing article explanatory of the undertaking and work of that character.

Q.—Wouldn't that go to the *North Shore Press*? A.—Well, the *North Shore Press*, as I understood it, was owned by Mr. Morden.

Q.—No, you don't mean that. A.—Yes, I mean that; that is my own understanding.

Q.—It is a matter of record on file with the Registrar of Joint-stock Companies. A.—I never saw Mr. Morden before that time, when I made the arrangement with him.

Q.—How did you come to make those arrangements? A.—I thought that he gave us very good service for the money in advertising the undertaking, and in making known its possibilities to the public.

Q.—In what month was he nominated as the Conservative candidate for the North Vancouver Riding? A.—I think it was long after that time.

Q.—Wasn't it at that time? A.—I don't think so.

Q.—In the spring of 1915? A.—My talk had no connection at all with his candidature.

Q.—Will you explain to the Committee, in any case, why that \$1,000, the money received from this Government—will you explain to the Committee why you made that payment? A.—Mr. Morden, I think, was the best editorial writer—one of the best, I should say; I do not wish to be invidious as to that—one of the best in connection with all our publicity-work, referring to the Pacific Great Eastern Railway; and I had, oh, dozens of talks with Mr. Morden, explaining the merits of the enterprise, and I tried to enlist his very ardent sympathy in advocating it, and he did it very efficiently; and I am sure, if you will look up the file of his paper, you will see that they give very intelligible treatment of the subject, and the money was well spent.

Q.—And did that money go to the *North Shore Press*, or did it go to Mr. Morden personally? A.—Oh, I could not really say, Mr. Hanes.

Q.—I am asking you if you know, as vice-president of the Company, whether that money went to Mr. Morden or to the Company? A.—I have got value for what I paid; any disposition of the money does not concern me; I made my arrangements with Mr. Morden, and it is up to him and his paper how he divided it.

Q.—You paid Mr. Morden? A.—I paid Mr. Morden, yes.

Q.—What was the arrangement that you made regarding his earning that \$1,000. A.—That he should produce these articles from time to time in accordance with the data and facts relating to the railway; I forget just the particular subject that was then up; I think that there were several; one of them was the acquisition of the Indian reserve and the development of the waterfront at Squamish.

Q.—Why would not the money go into the *North Shore Press*—why would it not be paid to the *North Shore Press*, the same as the other accounts for advertising and printing?

Mr. Pooley: I understood you to say that they were one and the same people? A.—Yes.

Mr. Taylor: There are two accounts in the ledger; there are no pages numbered— A.—I don't know how many.

Q.—One of the accounts is Morden, and there is another to the *North Shore Press*. A.—My arrangement was with Mr. Morden.

Q.—There is only one item in the Morden account, \$1,000; and all the advertising and printing account—these are in the other account; the *North Shore Press* account is absolutely advertising and printing. A.—Yes; I had nothing to do with that account, which was just a routine matter.

Mr. Hanes: This arrangement that you refer to was one that you made with Mr. Morden himself? (No reply.)

Mr. Taylor: Would you mind letting him see that other account?

Q.—My concern is that it seems to chime in with the date of Mr. Morden's nomination as an opponent in North Vancouver. A.—There is no connection between them; I am not a politician.

Mr. Hanes: What is the date of the bill? A.—9th March.

Mr. Taylor: 1915, which Mr. Hanes says is the time of the nomination. A.—But then I am sure Mr. Taylor, that that payment was in pursuance of a long antecedent arrangement. We did not give him just \$1,000 at the time when the work was done. The work was done long before that. There is no question at all of politics. It was advocating a certain course then: that is how it came about; and to my recollection it had to do with the Squamish Reserve, and showing the utility of the project.

Mr. Hanes: If that payment was made to the North Shore Press, Limited, which I understand is composed of Mr. Carter-Cotton and R. F. Green, and one or two others, wouldn't that \$1,000 be payable to the North Shore Press, Limited, if it was for newspaper-work? A.—Oh, I suppose so. I have nothing to do with the distribution; I have no objection at all in saying that the work was worth \$1,000, and I still think so.

Q.—Do you think that \$1,000 was to go into the *North Shore Press* for value? A.—Oh, yes.

Q.—to the Company? A.—Yes.

Q.—You think that the \$1,000 was to go into the North Shore Press, Limited, and to the shareholders of the Company? A.—I don't know anything about the shareholders. I thought it was going into the paper, and that Mr. Morden was the paper; that was my understanding about that money. I didn't make any distinction between the interests at all, Mr. Hanes; I simply was paying so much and getting an equivalent for the money expended, and I thought I got it, and still think so.

Q.—You think that the Company received \$1,000 worth of value? A.—Yes, I do indeed. Mr. Morden's articles were very instructive and enlightening.

Q.—Do you think he is entitled to any more? A.—He was entitled to all he got.

Q.—Is he entitled to any more for his services? A.—I have paid larger sums than that for publicity-work where the results were not so good.

Q.—Out of the Pacific Great Eastern Railway funds? A.—No, no; in other matters.

The Secretary: Did you pay for any other publicity-work out of the Pacific Great Eastern Railway funds, to any person or papers? A.—I think so, yes.

Q.—What are they; do you remember them? A.—I paid for publicity-work to the late Mr. Harkins.

Q.—Of the *Province*, you mean? A.—Yes.

Mr. Davis: Did you pay him at one time? A.—No; I paid him small amounts from time to time for his work; that work, of course, was very useful.

Q.—You paid him personally? A.—Yes.

The Secretary: He was connected with the *Province*? A.—With the *Province*, yes.

Mr. Hanes: In case you found that the \$1,000 did not go into the *North Shore Press*, but that it went into Mr. Morden's personal account, would that be in accordance with your understanding at the time? A.—Well, really, I did not have any understanding; there was no understanding between us. I was just giving you my opinion; it did not make a bit of difference whether Mr. Morden took that himself or whether he gave it to the shareholders; I didn't care which he did.

Mr. Pooley: You got value for your money? A.—That is all I wanted, yes; the rest was purely a domestic matter for the Company.

Q.—You mentioned quite often this morning that you paid certain fees for putting the corporation through; you paid for services for putting it through? A.—Yes; a payment was made on August 1st, 1912, services to April 12th, \$500.

Q.—April, 1912? A.—Yes; Mr. Thomas is looking up the voucher. I had no office staff out here, and, of course, I had to depend upon Mr. Luxton for typewriting, and office, and clerical work of that description; we didn't start our office in Victoria until about May, 1912.

Mr. Hanes: I quite understand that. A.—There was the work of incorporation, and the necessary forms under the Schedule to the Act, which, of course, were done by myself.

The Secretary: How much did you pay to Mr. Harkins, of the *Province*? A.—Is that a proper question? I think it was about \$250 a month. I don't know really; any item like that will be found in the books; and, of course, they speak for themselves; and there were other payments.

Q.—Who were the other payments to? A.—I would rather the auditors took that information from the books, as well as my evidence.

Mr. Hanes: You made the arrangement, why shouldn't you know? A.—I did, yes. I have no objection to giving the information, but it is better to take it from the books, Mr. Hanes; they are there.

Mr. Hanes: Whom did you employ to put through the Bills, 47 and 145, in 1914; what firm was it, according to your books? A.—Mr. Luxton. I was in London then, you see, Mr. Hanes.

Q.—I will ask you to look it up, and say what firm put that through. A.—Mr. Luxton will tell you.

Q.—What firm was it? A.—I only retained Mr. Luxton.

Mr. Pooley: If you want the information, I want to tell you that you are mistaken, Mr. Hanes, in suggesting that any fees in connection with the Pacific Great Eastern Railway went to any one.

Witness: I retained Mr. Luxton personally.

Mr. Pooley: Mr. Luxton had been doing some personal work for you? A.—Yes, and does still.

Q.—He has done personal work for Mr. Tate; Mr. Luxton himself received the money and no one else.

Witness: I knew Mr. Luxton twenty years ago, and all business that went to Pooley & Luxton went there on account of my personal relations with Mr. Luxton.

Mr. Pooley (to Mr. Hanes): If you want to suggest that I handled any of that money, you are mistaken.

Witness: In regard to the \$500, the voucher reads, "To professional services in connection with Bills No. 47 and 105 before the British Columbia Legislature, and advice to the Company, \$500." Bill dated 26th July.

Mr. Taylor: Do you wish to file it? A.—I don't want to file it.

Q.—It is signed by the firm Pooley, Luxton & Pooley? A.—I am not saying anything about the firm.

Q.—It is apparently a personal fee; it does not say it is a personal fee either; it would be personal, though, I think. It reads, Foley, Welch and others to Pooley, Luxton & Pooley.

Mr. Pooley: Yes.

Mr. Taylor: December 11th to April 12th, 1912. To professional services in connection with Bills No. — before the British Columbia Legislature, and advice in connection with the matter, \$500. 26th July, 1912; signed by Pooley, Luxton & Pooley; and the voucher is signed August 7th, 1912, by Pooley, Luxton & Pooley, per Mr. Luxton. A. B. Luxton's signature under Pooley, Luxton & Pooley. And you explained, Mr. Pooley, that that is a personal matter?

Mr. Pooley: A personal matter between Mr. Luxton and Mr. Tate. There is a special written understanding on the subject on that matter.

Witness: Referring to Bills, that is under the heading of A. P. Luxton, \$2,087.10. September 1st, 1916, professional services, \$100.

Mr. Hanes: Those Bills 47 and 105 were in connection with the Pacific Great Eastern affairs? A.—Yes; that is the legislation of 1914.

Mr. Taylor: That is the time when the \$7,000 a mile was obtained extra? A.—Yes. That is the time I was in London.

Mr. Hanes: Now, you drew \$15,000 from the Railway Company—

Mr. Taylor: That matter will come in when we go into these other matters.

Witness: That was a temporary advance to me, which was repaid the next day. I simply got \$15,000, and I paid it back the next day with my own cheque.

Mr. Maclean: And Mr. P. Welch didn't pay you a cheque on the same day for \$15,000?
A.—No. I know it was a personal matter, which I repaid with my own cheque.

Q.—Didn't you get a cheque for \$15,000 the same day from Mr. Welch? A.—I could not say; Mr. P. Welch's books will show.

Mr. Taylor: We will go into that matter later. That is all.

D. E. TOWNSEND recalled.

Mr. Davis: What is the number of the exhibit that was filed—Mr. Townsend's statement?
The Secretary: 191.

Mr. Davis: I see, Mr. Townsend, that the caption on this Exhibit 191 shows that the statement was made up "according to information ascertained by and furnished to us up to April 3rd, 1917." What was that information, and by whom was it furnished? A.—The information—take this in the first column down here (indicating); the information in the first column was given to us by Messrs. Anderson and Howatson—Mr. Howatson, I think his name is.

Q.—The first column being— A.—That is the total estimate.

Q.—Of the average amount earned by stationmen? A.—That is it. The total amount earned by P. Welch, we ascertained ourselves; that is on the basis of all the estimates. The rest is just a natural deduction from those two.

Q.—Well, was the information given to you by Anderson and Howatson information that was given by them under oath here, or was it given by them to you subsequently not under oath? A.—I don't know; I am not acquainted with the evidence they gave here.

Q.—Then, it was not based upon the evidence they gave here; it was the evidence that they gave to you subsequently? A.—No; I am not acquainted with what they did actually say here, to say one way or another.

Q.—Tell me, then, what other information it was?

The Chairman: I might point out that this evidence, as I understood, or this statement, was prepared at a sort of round-table conference; they all sat round the table, with separate documents, and this information was called off from the documents, and checked up by the auditor; that was the procedure, I understand.

Mr. Davis: That is, it is not suggested that it was information given in the sworn statements of Anderson and Howatson?

Mr. Taylor: No; that is right. Mr. Davis is right in that.

Mr. Hanes: I think, Mr. Chairman, that the information was given in this way, according to my understanding of it: Taking the clearing, or the grading, or earth-work, or different classes of work, it was roughly estimated—it was just an expression of opinion as to how much it actually cost the stationmen to do that work; with the information so supplied these figures were prepared showing what it would have cost. A.—It is just a matter of expert opinion, as to how much per acre was the cost to the stationmen to clear; I would not know that.

Mr. Davis: That information was not got from the exact payments made, as shown by the books of P. Welch? A.—I should not imagine so. At that time the information was not before the auditor here.

Q.—That first column, total estimated average amount earned by stationmen, is really the basis of this whole statement, is it not? A.—It certainly reflects the amount of difference in the other columns.

Q.—It is the basis; that is a fair way of putting it—it is the basis of the whole statement? A.—Yes.

Q.—And that statement was taken not from sworn evidence before the Committee, but from the statements given to you by Anderson and Howatson, unsworn statements of two discharged employees of P. Welch—Anderson and Howatson? A.—I don't know; this is the evidence given to me—information given to me by Howatson and Anderson.

Q.—It has been shown that they were discharged employees; and you didn't check any of that information yourself from the books? A.—No; the books were not available at that time.

Q.—All I want is the fact; you didn't check that information from the books themselves? A.—No; as we say there: "It is according to information ascertained."

Q.—That means that you didn't check it? A.—No.

Q.—Don't you think it would have been of much more service, so far as accuracy is concerned, if you had taken this statement from the books themselves? A.—It probably would have been;

but the statement, on the face of it, is no more than what it says. It does not pretend to be anything else than what it states. For instance—

Q.—It is only an estimate; and as to the correctness of it, therefore, you yourself cannot speak at all? A.—It was submitted by me tentatively; it was just submitted in the spirit absolutely of the kind of statement as it says on the face of it. I don't know whether it is absolutely correct or not; it depends, as you say, on the correctness of the figures given.

Q.—Which you know nothing about? A.—Which I know nothing about.

Q.—Would it not have been more satisfactory to have taken the actual disbursements as shown in the actual books of P. Welch? A.—Well, it would; but we could not get that information when this statement was prepared for the Committee.

The Chairman: The Committee were not misled in any way by the nature of the statement.

Mr. Davis: I am not suggesting, Mr. Chairman, that they were; but I want to have it distinctly understood just what this statement means, because there is a very great difference between this statement and our statement.

Q.—I see the caption reads: "Summary of statement showing the approximate difference, showing the approximate total difference between the amounts earned by P. Welch as shown by engineers' estimates to November 30th, 1915, under his construction contract dated September 23rd, 1912, with the Pacific Great Eastern Railway, and the estimated average amounts earned by stationmen on engineers' estimates to November 30th, 1915, plus the amount paid to sub-contractors according to information ascertained by and furnished to us up to April 3rd, 1917." Now, that estimated average amount earned by stationmen is simply, as it purports to be, an estimate based on certain portions of the work done by stationmen? A.—Yes.

Q.—That is correct? A.—Yes.

Q.—What proportion of the mileage is that estimated average amount earned by stationmen taken from? A.—Would you mind repeating that, Mr. Davis?

(Mr. Davis requested stenographer to repeat the question.) Question repeated. A.—You mean, how much mileage the stationmen performed?

Q.—No; the amount that you base your estimate on; of the 476 miles altogether, how many miles are you basing this estimate on? A.—It is not a mileage estimate at all. This is based on the quantities as shown in the estimates.

Q.—But extending for how many miles? A.—Here it is shown on the face of the estimate—the statement here—43.97 miles—

Q.—No; excuse me for interrupting you; the mileage shown there covers the total mileage of the line, 476.1, which admittedly you didn't have data for. Now, how many miles is represented there from which you took this estimated average amount earned by stationmen? A.—It is represented by the number of miles on the estimates from which we have taken this information. We took this information from the number of miles in the estimates produced, and the final estimates; I don't know how many miles there were.

Q.—That is what I want to know; you cannot say, then, whether it was ten miles or 400 miles that you got this average amount earned by stationmen from? A.—I think your conception of the estimated average amount earned by stationmen may be a little astray.

Q.—Any explanation will be welcomed. A.—For instance, this classification as shown here, and as it is shown in the engineers' estimates, runs down the line. Take clearing; take the last estimate up to that date on November 30th; one of these is shown to be 137.41 acres. Now, I don't know how many miles that represents; and I think it would be an impossibility to get it.

Q.—You don't know how much or what proportion of the mileage those estimated average amounts earned by stationmen is taken from; that is the fact, isn't it? A.—Well, I put it this way: I do know this, that it covers the total mileage of the line as shown by these estimates.

Q.—You do not suggest for one moment that the average amount is taken from the whole 476 miles, do you? A.—I would like to have that again; probably we can get a better understanding.

Q.—These examples that you are giving do not cover the whole 476 miles? A.—That covers only the mileage on Division 1.

Q.—I am aware of it; but the total of all the mileage as shown in Exhibit 191 covers the whole of the 476 miles? A.—Presumably so; yes.

Q.—Not only presumably, but actually so? A.—476.1 miles.

Q.—Yes; and that is the whole mileage of the road? A.—Yes.

Q.—Now, I want to know what proportion of that 476 miles was the basis of this estimated average amount earned by stationmen, if you know—and if you do not know, say so. A.—I don't know.

Q.—No; it may have been fifty miles, or it may have been 300 miles. A.—I don't know; I cannot see altogether through the question.

The Chairman: It was taken, as I understand it, from all the contracts that were filed.

Mr. Davis: That is just where the Committee are mistaken, if they understand that; they are badly mistaken.

Mr. Hanes: As a member of the Committee, I wish to make a statement in this respect. Mr. P. Welch filed his settlement contracts with the sub-contractors and with the stationmen. They have been there for days and days; and they were here when that statement was prepared. Now, Mr. Davis was asking this witness about a certain piece of clearing, which would be, say, 49 or 50 acres; now, the settlement contracts were here, and they were filed here with the estimates showing the amount of money P. Welch paid or the sub-contractors paid to the stationmen for clearing that acreage; and those were, as I understand it, those prices were the prices used to form the basis of the average cost of the acreage clearing.

The Chairman: Didn't they take all these prices that were available on these contracts?

Mr. Hanes: Yes, on the different portions of this line.

Mr. Taylor: Mr. P. Welch, under oath, and his other witnesses, swore that they filed every sub-contract and every settlement that they had for the whole of the work done; taking them as having told the truth, this statement was prepared from that information.

The Chairman: That is what Mr. Davis says is not correct.

Mr. Taylor: If it is not correct, it is a criticism of what has been filed.

Mr. Davis: I would rather get the evidence from the witness himself. It is according to my information, and I think that the auditor knows that it is the case, that it is not taken from the total mileage, is it—that estimated average amount earned? A.—I may say, generally, Mr. Taylor, that I do not understand what the total mileage has to do with it. If you will point out plainly—

Q.—I am not asking you that at all. My point is that this estimated average amount earned by stationmen is not taken on the whole 476 miles at all, but certain portions only; is not that a fact? A.—Well, suppose I answer your question by telling you what it does represent exactly, would that do?

Q.—Cannot you answer it in the first instance as I put it?

The Chairman: You have already answered that, Mr. Townsend, that it does not represent the whole mileage. A.—Yes.

Mr. Davis: Yes; and I think there is no question about it; I will show it clearly.

The Chairman: What I wanted to get clearly from Mr. Townsend is the statement that this information was based on all the material and all the matter, all the contracts with the stationmen and sub-contractors which were filed with the Committee at the time it (the statement) was made out.

Mr. Davis: No, Mr. Chairman, I think that you are under a misapprehension as to that. In that case it would not have been an estimated average amount at all; it would have been an actual average amount.

The Chairman: A part of the work was done by day-labour, was it not?

Mr. Davis: There were a number of contracts—however, I will ask Mr. Townsend about those.

Q.—You have a list of contracts on page—or sheet 10 of that Exhibit 191, haven't you?

A.—M-m.

Q.—Does that represent all the sub-contracts? A.—I have assumed here on the statement—it is just as it states on the face of it; that it does—

Q.—You think it does? A.—I think it does.

Q.—And you assumed that this represented all the sub-contracts, did you? A.—Naturally.

Q.—And your statement is made up on that assumption? A.—Yes.

Q.—Do you find in that list the name of McAlpine & Welch as sub-contractors? A.—No, I do not find their names as sub-contractors here. (Referring to statement.)

Q.—No; the papers filed here show that McAlpine & Welch had a sub-contract on that road.

Mr. Hanes: At that time, Mr. Davis?

Mr. Davis: During the construction of the railway.

Mr. Hanes: That is just a matter of opinion.

Mr. Davis: But that is not a matter of opinion; we will prove it beyond all question; all that any one has to do is to go through the books, and they can find out.

Mr. Hanes: The books were not here, pardon me—

Mr. Davis: I am not making any strictures on this witness, or anything of that sort, or on any one who has been concerned with the getting-up of this statement. I merely want to show the facts in connection with the statement, and surely I have the right to do that without interruption.

Mr. Hanes: I thought that all the sub-contracts were filed here; I understand that they were filed; I found they were not, because the settlement contracts filed here didn't represent the amount of money paid out on the statement, and after asking the second and third time, we had the other statement produced here, showing the settlement contracts, and they were all here, you see, produced, when this statement was being made.

Mr. Davis: If Mr. Hanes will carry his recollection back a little, he will remember that a number of these contracts were not in writing; and the only way of getting at that information would be from the books themselves.

Q.—Now, I have asked you about one sub-contractor which you say is not in that list. Do you find in that list the name of Nicholson & Finlay? A.—There is no name that I see there; other than those on the list here.

Q.—Well, I am asking you to get it definitely; do you find those names there—Nicholson & Finlay? A.—The last name—that name is not here.

Q.—(In reply to some remarks of Mr. Hanes.) Beg pardon, Mr. Hanes, everything is filed, and the books show these contracts.

Mr. Hanes: Mr. Chairman, now I am ready for an argument on this, as a member of the Committee.

Mr. Davis: Perhaps Mr. Hanes had better let me go on with the examination; the books are there to speak for themselves.

The Secretary: They were not there at the time when the statement was prepared, when these sub-contracts were filed.

The Chairman: I think you are at cross-purposes more or less; Mr. Davis wishes to show that there was material which the Committee didn't have at the time, and that is one of the explanations why there is the discrepancy in the two statements.

Mr. Davis: I am making no reflections on anybody; we are only trying to get at the facts.

Mr. Hanes: I wish to state, as I stated before, and state again, that I asked Mr. Davis, or Mr. P. Welch's representative, if the sub-contracts filed here were all the sub-contracts, and they said yes; and I suggested that the settlements were not made on these sub-contracts at all, and that is a matter of evidence; so I requested that the proper sub-contractors' settlements should be filed with this Committee, and there were a number of them filed here; and I had the privilege of Mr. Tate telling me to go through those sub-contracts and the settlements, and at that time those were the only ones that were filed with this Committee. Now, if Mr. Davis suggests that there were other settlement contracts where Byrnes & Jordan got \$80,000, or other cheques for any amounts in respect of settlements, they were not shown on the documents filed here. And it is because he didn't file all those settlement contracts.

Mr. Davis: There is no reason at all why Mr. Hanes should be at all sensitive about this. I am not reflecting on anybody or anything. We have produced all the settlements, as a matter of fact, necessary to make this statement. Now, as I understand, in the case of losing contracts, there are no settlement sheets, but the books show; and I am reflecting again in no way upon anybody who got out this statement, and surely I have a right to show the reasons or some of the reasons why there is a difference between this statement and ours; and I think it would be only fair to me for the Committee to give me an opportunity of doing so.

The Chairman: Go on, Mr. Davis.

Mr. Davis: Do you find in that list the name of Nicholson & Finlay as sub-contractors? A.—No, that is not here.

Q.—Do you find in that list the name of James A. Welch as sub-contractor; that is the son of P. Welch, whom it is shown made a losing contract; and I may say that all these that I am reading are losing contracts? A.—There is no James A. Welch.

Q.—Do you find there the name of Byrnes, Jordan & Welch, Camp No. 3? A.—Just Byrnes, Jordan & Welch, without any camp.

Q.—I may say that there were two contracts of Byrnes, Jordan & Welch; one is in the list, and the other one, which was a losing contract, is not. This is Camp No. 3. Do you find there the name of Nickson & Company in the list of sub-contracts, another losing sub-contract? A.—No, that is not here.

Q.—Do you find the name of MacGillivray Bros., which is another losing sub-contract? A.—No.

Q.—Do you find the name of MacGillivray, another losing sub-contract? A.—No.

Q.—Do you find the name of Mackenzie, Pearson & Company? A.—No.

Q.—Another losing sub-contract. Do you find the name of Roderick Dunn—

Mr. Taylor: My friend is interjecting remarks about there being losing sub-contracts; there is no evidence that they were losing, up to date.

Mr. Davis: Perhaps I should not have said that; but I make this statement—

Mr. Taylor: During this inquiry it has not been shown that there were any losing contracts.

Mr. Davis: When I say "losing" contract, I want to be perfectly clear about it; I mean that on the prices that they had they came out behind; and for that reason there was no settlement sheet, and these settlement sheets therefore could not be produced, but the books contained entries in regard to them; and it is only a supposition that any statement got out could be an accurate statement at all.

Mr. Hanes: You do not tell us on what settlement sheets these sub-contractors were settled with.

Mr. Davis: There were no settlement sheets, but the information is to be found in the books.

Mr. Hanes: You should have filed them, showing how much they ran behind; and if this is wrong on there, it is because you did not file those sub-contracts with this Committee.

Mr. Davis: If we had done that, we would have been making up some papers which were not in existence when this investigation was being made, which would have been an improper thing to do.

Mr. Hanes: They must have had sub-contracts showing what price they obtained.

Mr. Davis: But there were no sub-contracts; they were verbal contracts, a great many of them were verbal.

Mr. Hanes: Verbal contracts?

Mr. Davis: That evidence was given, Mr. Hanes.

Mr. Maclean: That was given, no doubt about it.

Mr. Taylor: How many of the men who lost money had verbal contracts?

Mr. Davis: I do not know that these were all verbal.

Mr. Hanes: I would like to go on with this argument. You filed here certain contracts that showed certain prices, but, notwithstanding that, there was a verbal contract that they were to make so much money in a lump sum. There were certain sub-contracts filed here showing certain prices, which appeared on the face of them to be the real contracts; but, in spite of that, we were told under oath that they were not the real contracts, but the real contract was a verbal contract to make so much money.

Mr. Davis: I will answer that point; but I would like the Committee to permit me to cross-examine this witness without interruptions from Mr. Hanes, persistent and continual interruptions, which I think is not fair to us.

Mr. Taylor: I think Mr. Davis has the right to cross-examine—

The Chairman: Go on, Mr. Davis, with your questions; you are right.

Mr. Davis: In answer to Mr. Hanes's question, I will say that the books show this, and that is why we say that any statement not made up from the books cannot possibly be at all accurate.

The Chairman: Go right on with the question, Mr. Davis.

Mr. Davis: I say that these were losing contracts. Perhaps I had better put it in another way; my instructions are that the books show that they were.

(At this point Mr. Taylor requested permission of the Chairman to absent himself for the remainder of the session. It was understood that the Committee would adjourn to Tuesday next.)

The Chairman: Yes, Mr. Taylor. Tuesday at 10.

Mr. Davis: I think that the last name that I asked you (Mr. Townsend) was Macdonald; do you find in the list of sub-contracts the name of C. A. Mitchell? A.—No Mitchell.

Q.—C. S. Jones? A.—No.

Q.—J. B. L. Macdonald? A.—No.

Q.—Madden Bros., two contracts, sub-contracts? A.—No Madden here at all.

Q.—T. E. Cronin? A.—Cronin, yes, that is here.

Q.—Where is that? A.—(Inaudible. Witness was requested several times to speak louder.)

Q.—P. J. Southeys? A.—That is not here.

Q.—Now, can you say that in this estimated average amount earned by stationmen, you took into consideration the mileage covered by any one of those sub-contractors that I have mentioned as not being in your list. I am instructed that they do not, and you know whether they do or not. A.—Didn't take any mileage.

Q.—Covered by these sub-contracts? A.—Well, I cannot say that; in preparing this statement I was not concerned in any mileage at all; all I was concerned with was what P. Welch said he paid up to a certain date, and I took it, supposing he said he cleared 500 acres of land—matters, except simply as an auditor? A.—Only as an auditor.

Q.—Yes? A.—Well, then, I know what he got for that; and I am not concerned with how many miles it covered, or anything of that sort. I also know what these other two gentlemen told me, what the average cost would be to the stationmen to do the same work; the difference between the two was presumably profit.

Q.—But again you have not answered my question; do you know whether or not, in getting at the estimated average cost, the cost of the stationmen in connection with these sub-contracts that I have mentioned was considered? A.—I could not say whether it was considered or not.

Q.—Now, the contract I suggest now—I am assuming now, for the purposes of this question, that these were losing contracts; in the case of losing contracts the stationmen's prices, what they received, would necessarily be higher if they pulled out even than on those that were profitable contracts; in other words, it represents the worst work? A.—I don't think so.

Q.—Wouldn't it be fair and proper that the bad work, when you are getting at an estimated average cost, that the bad work should be considered as well as the profitable contracts? A.—I think all those points that you are referring to—perhaps you want to get it on the record, Mr. Davis—I think all those points that you are bringing up are already discovered and appreciated by us; that is why we put those qualifications on the bottom of this statement.

Q.—I am not reflecting on you in any way, if you will kindly understand that, but I want to get at the facts. Now, will you answer the question that I asked, please? A.—That question was, in getting at the average amounts, we should take—

Q.—You should take in the bad work as well as the good work? A.—Yes. Exactly, it should be taken in; I don't know whether it was or not, but, as I said, these figures were not obtained by me. May I also venture a remark about these losing contracts. The fact of all these extra names that you mentioned, Mr. Davis, not being on my list, and that they are losing contracts. I do not see how it affects this statement at all; if they are losing contracts, it is a loss to the sub-contractor; I only deducted the profits that P. Welch had to make to sub-contractors for their share of the profits.

Q.—That you only did in connection with the sub-contracts, the cases of where the sub-contractors made the profit? A.—Assuming that they never made a loss—there is nothing showing that.

Q.—If they made a loss, would not that necessarily mean that a high amount would be paid to the stationmen, because the evidence is that the stationmen were all brought out with a living wage? A.—I could not answer that definitely.

Q.—Well, I think that covers the system. There are one or two other things that I would like to ask you; your statement, of course, does not include overhead charges at all? A.—It states that.

Q.—I wish to make that clear. It does not include any cost of train service, does it? A.—No. The only item of expense included is the average estimated amounts paid to sub-contractors.

Q.—You will admit that overhead charges are a necessary part of the contractors' expense? A.—Yes.

Q.—In connection with the performance of the contract. A.—Absolutely.

Q.—And the cost of the train service would be a necessary expense to the contractor?

A.—Yes. Train service connected with the construction of the road.

Q.—Why do you deduct 25 per cent. in connection with extra work; what do you base that on? (Answer inaudible to stenographer.)

Q.—You answer was, Mr. Townsend——? A.—That is included in the column which I did not prepare.

Q.—And you are not responsible for that? A.—I am not responsible at all.

Q.—Cannot you throw any light on it? A.—No.

Q.—(Mr. Tate made some suggestion to counsel.) I presume that is correct, as Mr. Tate suggests, that you do not pretend to have any special knowledge in connection with railroad matters, except simply as an auditor? A.—Only as an auditor.

Q.—Well, have you audited the books of a railway-construction company prior to this; and, if so, what books? A.—No.

Mr. Davis: I think that is all.

Mr. Hanes: Mr. Chairman, I would like to ask Mr. Davis to file that statement showing those losing sub-contracts.

Mr. Davis: I have read them all out; I have no separate statement showing them, but the particulars are on the notes, and I would be very pleased to have a list of them made.

Mr. Hanes: I would like to make a copy of it.

Mr. Davis: I have no doubt if you desire it, that one can be made and filed.

Mr. Hanes: And I have stated several times that we did not get all the settlement contracts filed.

Mr. Davis: I have told you several times, Mr. Hanes, that there were no settlements in connection with losing contracts, and that the information is shown only in the books, which have always been at the disposal of the auditor, and yourself, and all other members of the Committee.

Mr. Hanes: The books were not here. Does that show the amount of money on each sub-contract?

Mr. Davis: The books will show that. I have simply got the list that was given me of sub-contracts which were losing sub-contracts, and are not referred to—at least, I understand they were losing sub-contracts—and not referred to in this list that is mentioned in Exhibit 191.

Mr. Hanes: It does not give the amount that each man lost.

Mr. Davis: No; as I understand, the evidence is already in, that in the case of these losing sub-contractors the sub-contractor would have to deduct the payments to stationmen, and in order to get at a fair cost of the work it is very necessary that a thing of that sort should be taken into consideration.

Mr. Hanes: How much are you informed that these sub-contractors lost?

Mr. Davis: I am not informed. All that I am trying to do is to point out why there is such a large discrepancy between Exhibit 191 and our statement, which is Exhibit 206—I am not sure of the number.

The Chairman: Of course, after all, the real question is that the auditor can now take all the books and all the papers and the statement of the Company, and he is in a position to check it up.

Mr. Davis: That is it.

The Chairman: And if on checking it up it is found that the statement of the Company is correct——

Mr. Davis: Exactly.

The Chairman: Then the preliminary and estimated statement goes by the board.

Mr. Davis: Quite right.

The Chairman: If, on the other hand, the auditors find anything wrong, that is a matter for the further attention of this Committee.

Mr. Davis: That is all we want, certainly.

The Chairman: In the meantime, it is a statement, and it was so explained to the Committee at the time as only an estimated report.

Mr. Davis: You have not checked up the statement of P. Welch? A.—No.

Mr. Hall: Mr. Townsend, you gave the form in which you would like the report to be, similar to the statement based on estimates—Exhibit 191? A.—Yes, I furnished a copy of that form, which the Committee said they would like.

Mr. Maclean: I may say that Mr. Taylor, when he was examining, appeared to consider that the way we got up the statement was a better one than the one before the Committee.

Mr. Hall: That was his view, it is not mine. I did not agree with Mr. Taylor.

Q.—In this statement, which Mr. Davis has just referred to, in which certain expenses were not inserted, and the profit on commissary, I take it, was not shown either? A.—No; there was no profit.

Q.—So there would be profits and expenses not covered in this? A.—Exactly.

The Chairman: The Secretary calls my attention to the matter of the motion, and that I may not be recorded as voting on that motion; perhaps I did not put my own hand up.

The Secretary (quoting): "It is necessary that the Chairman shall vote like any other member."

The Chairman: My opinion will be quite clear on the record; but as a matter of record, I state now that I voted in the affirmative.

Mr. Pooley: As far as my recollection goes, there is no reference on the record to show your qualifications. I think that the question has been put to me before, and has already been asked on the floor of the House, and has been refused; the answer was refused to be given by certain members of the House. Now, if the Chairman desires me to answer the question, I will do so.

Q.—And you are an auditor? A.—Called such; presumed to be.

Q.—What are your qualifications? A.—Well, now, I don't want Mr. Pooley to place me in a false position. I think that the question has been put to me before, and has already been asked on the floor of the House, and has been refused; the answer was refused to be given by certain members of the House. Now, if the Chairman desires me to answer the question, I will do so.

The Chairman: That is a fair question, Mr. Townsend.

Witness: I do not wish to place myself or anybody else in a false position.

Mr. Pooley: This is only with reference to your qualifications. A.—I am a chartered accountant of Australia, and also a member of the Institute of Accountants of America.

Mr. Ross: You say Australia—you are British? A.—Yes.

Q.—Of British Columbia? A.—Not of British Columbia, no.

Q.—Do your qualifications extend to British Columbia? A.—That is a matter of application.

Mr. Pooley: You are a British subject by birth? A.—British subject.

Q.—Native of Australia? A.—Australia.

Mr. Hanes: I think that Mr. Townsend has proven himself to be a very good citizen, as far as I can see, ever since this investigation has started.

Mr. Ross: Might I ask you if Mr. Morton was associated with you in any way? A.—Never at any time.

Q.—Do you know the man? A.—I know a man of that name; I don't know whether it is the same one or not.

Q.—Was there such a man employed by Price, Waterhouse & Co.? A.—I understood so, at some time or other.

Q.—Not during your time? A.—Oh, during my time, yes; but nothing to do with any of this Railway Company work.

Q.—I just asked if you know him, that is all. Do you know if he is alive to-day? (Witness was understood to say No.)

The Chairman: There were some head-lines in the press in connection with it—was this man Morton ever connected with this inquiry? A.—Never at any time; nothing at all to do with it; nothing to do with this inquiry in any shape, manner, or form.

Mr. Ross: What salary are you being paid? A.—Beg pardon?

Q.—What salary are you receiving? A.—I think that is—

The Chairman: I certainly rule that out of order.

Mr. Ross: Is there any other auditor employed by yourself on this work? A.—There has been from time to time, yes.

Q.—At the present time? A.—Not at the present time. There is work being done at the present moment in connection with this inquiry.

Q.—The point is this: The investigation involves very important matters, and I am trying to find out whether it is a \$1-a-day man or a \$50-a-day man; that is all I want to know. I think my question is a pertinent question and should be answered.

Mr. Pooley: By the way, you say there are no other auditors employed on this work; you are in charge of it? A.—Yes.

Q.—Who are they assisting? I don't know; who are they—they are strangers to me. A.—Is that a fair question, Mr. Chairman?

The Chairman: If it is any part of the investigation in which you have been assisting, it is; but the Committee are not concerned outside of that. A.—As far as the answer to that is concerned, Price, Waterhouse & Company.

Mr. Pooley: I understand Price, Waterhouse & Company, but no member of the firm has been actually employed in this work? A.—Oh, yes.

Q.—Who are they? A.—I am not going to answer; that is all.

Q.—I wish you to answer. That is only on this Pacific Great Eastern Railway; that is all my question pertains to. I have no question to ask as to other work outside of the Pacific Great Eastern audit.

The Chairman: Reports have been submitted to this Committee; you know who prepared them. A.—There have been no reports submitted to this Committee by us.

Mr. Pooley: You prepared certain figures? A.—Yes; I have already admitted that I prepared them.

Q.—Did anybody else work with you on behalf of Price, Waterhouse & Company? A.—Yes; the detail was carried out by our men—our staff.

Q.—Will you give their names, please? A.—Mr. Irvine.

Mr. Ross: Anybody else—was he a member of the firm of Price, Waterhouse & Company? A.—Yes.

Q.—Are you a member of the firm? A.—Oh, yes; what do you mean by a member of the firm?

Q.—You are a member of the firm? A.—A member of the staff. Do you mean personally?

Q.—What I want to get is the membership of the firm? A.—Oh, no; no members of the firm, as such, as individuals. No more than the members of any law firm would personally deal with every matter they have in their offices.

The Chairman: Any further questions?

Adjourned to 10 a.m., Tuesday of the following week, April 17th, 1917.

TWENTY-FIFTH SESSION.

TUESDAY, April 17th, 1917.

The Committee of Inquiry herein met at 10 a.m. pursuant to the adjournment of April 13th, 1917.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, L. W. Shatford, W. R. Ross, and R. H. Pooley; S. S. Taylor, Esq., K.C., appearing as counsel for the Minister of Railways; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway; Messrs. E. P. Davis, K.C., and J. N. Ellis, appearing as counsel for Messrs. Foley, Welch & Stewart.

The Chairman: Mr. Luxton is here, and I understand he would like to be called right away. Mr. Pooley wants to examine him.

Mr. Taylor: Mr. Chairman, I would suggest, in view of the amending resolution passed by the Legislature, that the stenographers be resworn. It might be construed to constitute a new inquiry.

Mrs. E. Blygh, stenographer, sworn.

Mr. Maclean: I suppose, then, that all the old evidence disappears. Mr. Taylor says it is a new inquiry.

Mr. Taylor: I am afraid you cannot make it disappear.

A. P. LUXTON, witness, being duly called and sworn, testifies as follows:—

Direct examination by Mr. Pooley.

Q.—What is your full name? A.—Alfred P.

Q.—You are a member of the firm of Messrs. Pooley, Luxton & Pooley? A.—Yes.

Q.—An exhibit was produced here—what is the number of it? Have you that document that you produced the other day, Mr. Taylor?

Mr. Maclean: That is Exhibit 220—Pooley, Luxton & Pooley's account for \$500.

Mr. Taylor: I did not produce any account.

Mr. Pooley: Mr. Hanes produced it. I stand corrected.

Mr. Maclean: Exhibit 220. It is the bill for \$500. There was another bill referred to, but it was not put in as an exhibit.

Mr. Taylor: Yes; there was another bill referred to of \$2,000 and something, but that was not produced; but Foley, Welch & Stewart produced a voucher for \$500.

Mr. Pooley: I have not got any of the transcript containing that portion of the evidence. There was an account produced here, Mr. Luxton, from the firm of Pooley, Luxton & Pooley with D'Arcy Tate, I think it was, in connection with the Pacific Great Eastern Railway in the year 1912 for \$500.

Mr. Taylor: I think we have got a transcript of that, Mr. Pooley. Possibly you have never had it.

Mr. Pooley: Well, this account for \$500, which was paid on the 1st of August, 1912, in consideration of services to April, 1912, \$500; what do you know about that account? A.—That was a personal matter of mine; and I don't know how it came to be made out in the name of Pooley, Luxton & Pooley, as Pooley, Luxton & Pooley did not get the \$500. I got this paid into my own private account. It was for work done by me. I had an arrangement with you that all parliamentary work I did, or work connected with Bills before the House, that was a personal matter, and had nothing to do with the firm in any way.

Q.—Will you state whether I personally received any of that money, directly or indirectly? A.—No, you got nothing out of it at all.

Q.—You referred to some arrangement that was made? A.—Yes. I have no objection to telling it. I have the agreement.

Q.—I just want to get this on the record.

Mr. Taylor: Do you want the pages of the evidence that refers to this? I have found it.

Witness: You don't want to keep this, do you (referring to document)?

Mr. Pooley: Just read it into the notes.

Witness: Do you wish to see it, Mr. Chairman?

Mr. Pooley: Whose writing is it in? A.—It is in my writing, and was written on the 12th March, 1912.

Q.—Do you know when the elections were? A.—Some time about the end of March, 1912. And this is the document that was made out (reading):—

Memorandum.—It is hereby agreed by the undersigned that all salaries or sessional allowances to which any or either of us are now or may hereafter be entitled, as a Minister or a member of the Parliament of Canada, or of the Legislature of British Columbia, shall be personal to the individual to or in respect of whom the same is or may become payable; and, further, that all work and business now done and transacted or to be done and transacted, or to be done or transacted on behalf or under instructions of the Government of the Province of British Columbia, or of any Minister, member, or official thereof, or in connection with private bills or otherwise before the said Legislature, was done and transacted and shall hereafter be and be deemed to have been done and transacted by the individual actually doing the same, and to be and to have been the personal matter and business of the individual doing the same, and to be no part of the business of Pooley, Luxton & Pooley.

“Dated 12th March, 1912.

“A. P. LUXTON.

“R. H. POOLEY.

“Witness: J. H. GRADWELL.”

Q.—There is a further account that is mentioned here in connection with Bills No. 47 and 145 of 1914. A.—Yes.

Q.—Something to do with the Pacific Great Eastern Railway? A.—Yes.

Q.—Will you state whether any of the money was received by me—

Mr. Taylor: Would you mind stating the amount, so that the question will refer back to it?

Mr. Pooley: I don't see the amount stated here.

Mr. Taylor: Yes—referring to the Bills, page 9.

Mr. Pooley: Oh, yes; the amount of \$2,087.10 was evidently paid on September 21st, 1916. What have you to say about that? A.—That came under the same heading, and under this document. The firm had nothing whatever to do with it. I think, if I recollect rightly, there were two Bills that I had charge of that came up before the Private Bills Committee. I think so. I have not looked to see the dates these moneys were paid, however; but they were paid to my private account.

Q.—Had I anything to do with it? A.—No.

Q.—It says: "In connection with the legislation of 1914." A.—Yes.

Mr. Taylor: That was the legislation in connection with the \$35,000 a mile and the extra \$7,000? A.—Yes; I remember something about that.

(Witness aside.)

Mr. Taylor: I will call Mr. Tate.

Mr. Maclean: I may say, Mr. Chairman, that I have been instructed by Mr. Tate to say that he has attended before this Committee on and off for the last month, and has given the fullest information regarding the affairs of the Pacific Great Eastern Company; but that he most respectfully declines to appear here to be examined as to what he considers to be his private affairs.

Mr. Taylor: Is he in the city?

Mr. Maclean: I don't know, I am sure. I have not seen him since.

Mr. Taylor: Did you get your instructions this morning, may I ask you?

Mr. Maclean: No.

Mr. Hanes: When did you get those instructions, may I ask you?

Mr. Maclean: Don't cross-examine him. I have told you all I have to say in the matter.

Mr. Taylor: I would suggest, Mr. Chairman, that the necessary steps be taken to compel his attendance; if he refuses to attend, that he be brought before the Bar of the House.

Mr. Hall: Well, I understand that he has refused to attend.

Mr. Taylor: His counsel says he refuses to attend.

Mr. Hall: There would seem to be no need to issue a summons on top of that. He was aware that he was to be here this morning for the express purpose of giving evidence. I think we might as well report direct to the House.

Mr. Taylor: I understand, Mr. Maclean, that you require no further notice of his being required to attend?

Mr. Maclean: Oh, no; I don't think so. There is no necessity of going through futile proceedings.

The Chairman: You are authorized to state, as counsel for Mr. Tate, that he, on the basis of having been required to be here, refuses to attend?

Mr. Maclean: Well, I stated just exactly what I said.

The Chairman: We might as well settle that issue.

Mr. Maclean: Oh, I might say that Mr. Tate was aware you wanted him to appear here to be examined with regard to the campaign funds, and he declines to appear here for that purpose.

The Chairman: Do you wage the question of any summons being served on him?

Mr. Maclean: Oh, no.

Mr. Taylor: I will call Mr. McLeod.

Mr. Hall: Wouldn't it be well to get our motion on that first?

Mr. Taylor: Very well.

Mr. Hall: I move that Mr. Tate's refusal to attend be presented as a report of this Committee, and that this Committee recommend that he be compelled to give the evidence.

Mr. Hanes: I don't think the Committee can recommend it—just report it. I understand that they cannot recommend anything.

Mr. Hall: We recommend that steps be taken by the House to compel his giving this evidence.

The Chairman: I think what we had better do, Mr. Hall, we had better adjourn the sitting for a little while in case of any other evidence along the same line, and look into this matter, because there is none of us familiar with the procedure. At least I am not, and I do not know

what the other members of the Committee think about it; but it will only take a few minutes to draft a formal resolution.

Mr. Taylor: Yes. Now I would ask for the production of the private ledgers that counsel agreed to produce this morning.

Mr. Davis: Mr. White, will you give that, please?

Mr. Taylor: I would like to have Mr. White sworn.

E. F. WHITE, witness, sworn.

Mr. Taylor: What is this book that you produce, Mr. White? A.—It is a private ledger.

Q.—Of what? A.—Of the P. Welch contract.

Q.—Of the P. Welch contract? A.—Yes; and the Development Company's accounts are in there too.

Q.—Are all the Development Company's accounts in there? A.—Yes, in that book.

Q.—Are these the only private ledger accounts that were referred to the other day when you were in the room here? A.—No.

Q.—Is there any other private ledger? A.—Nothing but Mr. P. Welch's personal accounts—his private ledger.

Q.—Is there anything else but Mr. P. Welch's personal ledgers? A.—Well, they are not connected with the contract at all that is in question.

Q.—They are connected with the Pacific Great Eastern Railway, and those are the books that we want. Where are they?

Mr. Pooley: Do I understand Mr. White to say they are connected with them?

Witness: This is a personal investment ledger. It has nothing to do with the contract here. That is the only ledger that has anything to do with the contract.

Mr. Taylor: We will have this marked as an exhibit. This book is known as Exhibit what? Mr. Maclean: No. 221.

Mr. Bullock: No. 219 is the last exhibit that I have. This will be Exhibit 220.

Mr. Taylor: This will be Exhibit 220. Now, the books of P. Welch, I may tell you, referred to Private Ledgers Nos. 1, 2, and Private Ledger No. 3; now, where are those ledgers that are referred to there? A.—Well, those are personal ledgers.

Q.—Those are the ones we want. They are referred to in the Pacific Great Eastern Company's books, and the exact amounts were referred to these other ledgers; and I want those, because it is impossible for you to say that they are not referred to in them unless we have them here. A.—Well, the accounts in that general ledger show they are balanced.

Q.—I am not talking about that. Where are the books? That is all I am dealing with. There is only one subject I am dealing with. Where are the accounts that are referred to in these other books? A.—Well, the personal books are in Vancouver.

Q.—Where are the other books? A.—I don't know what the other books refer to.

Q.—Well, where are the other books? Don't you understand English? A.—Yes, I do.

Q.—Where are they? A.—All the books of Mr. Welch are in Vancouver.

Q.—Where are those private ledgers—Private Ledger No. 1, Private Ledger No. 2, and Private Ledger No. 3, referred to in the journal, and other books that we have here in the Parliament Buildings, of the Pacific Great Eastern contract? A.—I don't know what No. 3 refers to.

The Chairman: Mr. White, don't hedge on these questions. Just answer them. A.—I don't really know.

Mr. Taylor: Where is No. 1. A.—This is No. 1.

Q.—Is it supposed to be a private ledger? A.—Yes.

Q.—Is it? A.—Yes, that is No. 1.

Q.—Exhibit No. 220 is Private Ledger No. 1. A.—Yes.

Q.—Where is No. 2? A.—It is in Vancouver.

Q.—Why didn't you bring it over? A.—Well, because I presumed it was a personal matter.

Q.—Well, don't presume. A.—Mr. Davis can answer that question.

Q.—Can you answer it? I am not examining Mr. Davis. A.—I was instructed that was the only ledger to take over which referred to the contract.

Q.—Is that the reason you did not bring over Private Ledger No. 2? A.—What is that?

Q.—Is that the reason why you did not bring over Private Ledger No. 2 to Victoria? A.—Well, I have brought over everything to do with the contract.

Q.—Is that the reason? Don't you understand English? A.—It is one reason.

Q.—Well, what is the other reason? A.—There is no other reason, except I did not think it referred to the contract. It is an absolutely personal ledger.

Q.—Well, Private Ledger No. 2 is a personal ledger; and that is the reason you did not bring it over? A.—Yes.

Q.—Well, it is referred to in the books, and there are items there which are transferred to it. A.—Yes.

Q.—Well, therefore we must have it. Now, where is Private Ledger No. 3? A.—Well, I would have to see the entry to know what it is you refer to. What does it refer to particularly?

Q.—Do you mean to say you have to see the entries? A.—I have two or three contracts; they have taken place in the past several years, and they have been transferred to these books.

Q.—Now, I am talking about the books—the ones referred to here as Private Ledger No. 3; there were items transferred from this contract into it. Now, where are they? Where is that ledger? You say it is in Vancouver? A.—They are all in Vancouver.

Q.—They are all in Vancouver. And why didn't you bring Private Ledger No. 3 over? A.—Because it had nothing to do with the contract.

Q.—Well, I say these items are transferred to it. Now, why didn't you bring it over? A.—Well, they are personal items, and they have been balanced by cheques—by payments.

Q.—A little while ago you did not know what that book referred to. A.—Well, as I say, we have had any number of contracts that interlocked.

The Chairman: Well, where is this mysterious book that the counsel were talking about at the last session and where they referred to certain things which were transferred? A.—Well, that is the book there.

Mr. Taylor: This is all in your handwriting, isn't it? A.—Yes.

Mr. Davis: Will you allow me to ask the witness one or two questions merely as a personal matter to myself?

Mr. Taylor: Yes.

Mr. Davis: Mr. White, this is the first time I have heard of any other ledger but this. Is there any other ledger which in any way concerns this contract of the P.G.E. matters? A.—No.

Q.—I may say I never heard of these other ledgers at all. A.—There have been certain payments made out of P. Welch's funds—personal payments; and they have all been refunded by Mr. Welch, by deposits from his personal cheques. For instance, we would pay his bills of insurance, or something like that, and then Mr. Welch would give us his personal cheque for it, so they all appear in the ledger in his account, where his account has been balanced—or will be balanced up to date.

Q.—I understand, outside of these books that are being produced here now, there is no other book dealing with the P.G.E. or P. Welch's contract? A.—Well, no; not with the contract. They are purely personal matters.

Q.—They are personal matters? A.—Yes.

Q.—And they have nothing to do with this at all; is that what you say? A.—Yes, they have nothing to do with this at all.

Q.—Well, that is just what I understood, and it is the first time I ever heard of the existence of these other ledgers.

The Chairman: Well, I gathered from what Mr. Taylor said that these Ledgers Nos. 1, 2, and 3 are all referred to equally in the books of the Company.

Mr. Davis: Well, from what I gather, it is simply personal items which would be transferred to the personal ledger.

Witness: It was simply a personal matter; for instance, when Mr. Welch would be billed with a certain item, which was his own personal account, that would be entered in the private ledger.

Mr. Davis: After what Mr. White has said, I take the responsibility of saying that we decline to produce those ledgers. I never heard of them before, but the reason is they are not connected with this contract, I suppose.

Mr. Hanes: Well, Mr. Chairman, the books show that there were large cheques or cheques for various amounts drawn, and some referred to Private Ledgers No. 1, No. 2, and No. 3. We were told that Mr. Welch did not draw any money out of this contract, or, at least, he says he did not draw any.

Mr. Davis: There were \$3,000,000 put in of Foley, Welch & Stewart, and that has all been drawn out except a few thousand dollars.

Mr. Hanes: I would like to have those ledgers produced.

Mr. Davis: I decline to produce them.

Mr. Taylor: I ask for the necessary steps to be taken to have them produced.

Mr. Hall: Well, I think that that might be dealt with after we have this short adjournment.

Mr. Taylor: These books were referred to in the Company's books already filed as being Private Ledgers Nos. 1, 2, and 3, and I ask that steps be taken to compel the production of Private Ledgers Nos. 2 and 3. This No. 1 Ledger is here. Now, are there any other private ledgers outside of these Ledgers Nos. 1, 2, and 3? A.—Nothing.

Q.—You are sure about that, are you? A.—Absolutely sure.

Q.—When I speak of private ledgers, are there any other personal ledgers of P. Welch's which you know of. A.—No.

Q.—Well, will it be in order now to move that Private Ledgers Nos. 2 and 3 of P. Welch be produced?

The Chairman: Well, all these books have been required to be produced already, and we have asked for them, and apparently they refuse to produce them, so I think we had better leave this until we have this adjournment to go into the matter for a few minutes.

Mr. Davis: I don't think any books up to the present time that were sworn to have been personal books have been asked to be produced. On the contrary, the statement was made that anything not connected with this contract, even a book that did bear on it, would be sealed up; and I merely mention that to put ourselves right.

The Chairman: Well, the trouble is those books that we now have show that this money was transferred to these books, and it is for this Committee to trace that money to the different books, and not merely to take the word of any persons as to what was done with it or how it was marked in the book.

Mr. Davis: Well, there would necessarily be a large sum of money which would belong to Foley, Welch & Stewart there. We will assume now that \$5,000 was paid out to P. Welch or J. W. Stewart for purchasing an article for their own private use. That is a personal matter and had nothing to do with the contract, and provided they had the right to withdraw that money, that is their own money. I merely make that explanation so that it will not appear that we are holding back anything connected with this investigation; but with the facts shown as they are, I will take the responsibility of declining to produce these books.

Mr. Taylor: I want it understood, as far as my statement is concerned, the books are referred to in the present books of the contract-work we have now produced and filed. Namely, they show that the items were referred to these private ledgers, and therefore those ledgers should be here, and I ask that the Committee take the necessary steps to compel them to be produced. Who has the possession of this Ledger No. 2 and the No. 3 Ledger? A.—Well, they are all in the Vancouver office, whatever ledgers there are.

Q.—You saw them there when? A.—I beg your pardon?

Q.—You saw them there yesterday, did you? A.—Yes, I saw all the books there.

Q.—You saw them there yesterday? A.—Yes.

Q.—You saw them—just answer my question? A.—Yes.

Q.—Now, where is Mr. P. Welch this morning? A.—Mr. P. Welch went to Seattle yesterday.

Q.—Mr. Welch went to Seattle yesterday. And where is Mr. Tate this morning? Have you seen him? A.—No, I did not.

Q.—Do you know where he is? A.—No.

Q.—Have you heard where he is? A.—No.

Q.—You have no information as to where Mr. Tate is? A.—No.

Q.—You don't know whether he is in Victoria or not? A.—No, I don't.

Q.—Mr. Patrick Welch went to Seattle yesterday? A.—He went to Seattle, yes.

Q.—Do you know what business he went on, or whether he went on business? A.—No. I don't.

Q.—You don't know whether he went on business or not? A.—No.

Q.—Do you know when he is coming back? A.—No; he left on the 4 o'clock train.

Q.—Do you know where he is going from Seattle? A.—He may go to Spokane.

Q.—He does not intend to attend here any more, apparently? A.—I don't know; he did not say.

Q.—I want Mr. P. Welch to be here, and I ask that the necessary steps be taken to compel the attendance of P. Welch here.

The Chairman: I suppose Mr. Davis will undertake to produce him.

Mr. Davis: I certainly will not. I am not his keeper. I undertook to produce this book and I produced it.

Mr. Taylor: Apparently the Committee is being defied and we had better take the necessary steps to see who is boss.

Mr. Ross: I want to know why Mr. Taylor used the word "defied." Has Mr. Welch been subpoenaed?

Mr. Taylor: Is Mr. Ross holding a brief for Mr. Welch?

Mr. Hanes: Well, at the last meeting I asked that Mr. P. Welch should attend before the Committee, and it is in the notes.

Mr. Ross: Well, I say there is a way to conduct this inquiry without the use of gratuitous expressions.

The Chairman: Well, there is no doubt about the condition of affairs this morning. It is certainly a defiance of this Committee, and if you had been here at the opening you would have heard it.

Mr. Hanes: Well, I asked Mr. Welch to attend again the other day, and his representatives were here, and they were quite familiar with my request, as far as I know.

RICHARD DUFF THOMAS, witness, called and duly sworn.

Mr. Taylor: Mr. Thomas, what is your full name? A.—Richard Duff Thomas.

Q.—You were examined before at the sittings of this Committee, weren't you? A.—Yes.

Q.—You are the secretary and treasurer of the Pacific Great Eastern Railway Company?

A.—Yes.

Q.—Occupying the same office as Mr. Tate? A.—Yes; we have rooms adjoining, together.

Q.—The Pacific Great Eastern Railway Company's office? A.—Yes.

Q.—When did you last see Mr. Tate, Mr. D'Arcy Tate? A.—Yesterday afternoon.

Q.—Where is he this morning? A.—I believe he is not in the city.

Q.—Where is he? A.—I cannot say where he is.

Q.—Where did he go to, do you know? A.—Yes; I bought him a ticket yesterday afternoon for Seattle.

Q.—I see. Do you know when he is going to return? A.—No.

Q.—Do you know what business he went on? A.—He told me he might look over his coal-mine in Seattle.

Q.—Where is the coal-mine? A.—Near Seattle—between Seattle and Tacoma.

Q.—It is a good time to look over coal-mines. You don't know when he intends to return? A.—No.

Q.—Not until after the House rises, I suppose? A.—I don't know.

Q.—Have you any intention of leaving town yourself soon? A.—No, no personal intention.

Q.—Who else left town that you know of yesterday? Did you buy tickets for any person else? A.—No.

Q.—Did you simply buy the ticket to Seattle? A.—No; I bought a return ticket.

Mr. Davis: That is encouraging, anyhow.

The Chairman: How long is that good for? A.—I presume it is good for a month.

Q.—You have to buy a return ticket under the immigration law, don't you? A.—I don't know.

Mr. Taylor: Are there any private ledgers of the P.G.E. Railway? A.—No.

Q.—You have produced every book, private and otherwise, of the P.G.E. Railway? A.—There are no private books. I have produced every book of account of the Railway Company.

Q.—Every book of account? A.—Yes.

Q.—You have produced every book in any way connected with the accounts of the Railway Company? A.—Yes. The books that are on file are complete. I have books that might be considered auxiliary, but they are not.

Q.—What books have you? A.—Well, I have in mind the records that I keep of right-of-way, but they are not in any respect an account-book. They are only to show more readily what certain pieces of right-of-way cost.

Q.—And what do you call those books? A.—I call them my right-of-way books.

Q.—What other books have you got that have not been produced? A.—I cannot say.

Q.—Auxiliary or otherwise? A.—I have, of course, a memorandum-book, a book in which I keep general data; and I have the books of Orders in Council, and indices of these things.

Q.—How many of those books have you got? A.—I have three right-of-way books.

Q.—Will you produce them? A.—Oh, certainly.

Q.—That is all you have got—a right-of-way book? A.—Yes.

Q.—What other books have you got? A.—Well, really, I have four right-of-way books; but one was got up in an unsatisfactory form, and I believe the records have been transferred from it into the three which were more conveniently arranged. I have a day-book—a day-register.

Q.—And what else have you got? Memorandums you said? A.—Memorandum-books. And I doubt whether I have yet produced the directors' attendance books. I have such books as those.

Q.—Will you produce them all? A.—Yes.

Q.—Now, is that everything that you have? A.—Well, if it is not, my memory fails me just for the moment; but if you wish me to produce everything, I will undertake to produce everything that I have.

Q.—You will produce everything you have. Very well, we want everything that you have. We want absolutely everything you have. When will you produce those—at the evening session? A.—Yes, I could.

Q.—Produce everything you have at the evening session? A.—Yes; very well.

Mr. Hall: Well, how about that ledger of Mr. Tate's in which these payments have been referred to? A.—I never saw a ledger of Mr. Tate's.

Q.—Do you know who does keep that? A.—I did not know that there was such a book.

Q.—Do you know now? A.—No.

Mr. Taylor: On the 28th February, 1916, Mr. D'Arcy Tate drew \$15,000? A.—From the P.G.E. Railway Company's account?

Q.—Yes. A.—That would be in the nature of an advance.

Q.—Yes, exactly. You went down and cashed that cheque? A.—Yes, I have cashed cheques for him, and probably I cashed that too.

Q.—Now listen to me. You heard what I said, didn't you? A.—Yes, Mr. Taylor.

Q.—Well, answer the question. A.—You made a statement.

Q.—I said, did you go down and cash that cheque? A.—I would have to see the cheque.

Q.—You remember the \$15,000 cheque; what is the date again? A.—I remember the cheque because I lately saw it in our ledger account.

Q.—It is the 28th February, 1916. Now you are on oath, and I understand you to say you cannot say whether you cashed that cheque without looking at something? A.—I would have to see the cheque first.

Q.—Do you say that you cannot say whether you cashed that cheque without looking at it? A.—I do.

Q.—Could you go and get it, please? A.—Well, are there any others of a similar character I can get at the same time?

Q.—I would have to send you out afterwards for them, if you don't mind.

The Chairman: While we are waiting I would like to ask if Mr. D. McLeod is here. Immediately after the rising of the House he was wired for. Is Mr. D. McLeod here?

Mr. Davis: I don't know.

E. F. White, witness.

Mr. Taylor: Is Mr. D. McLeod here? A.—I do not think so.

Q.—What is his full name? A.—Donald.

Q.—He represents John W. Stewart in Vancouver? A.—Yes.

Q.—He has charge of Mr. John W. Stewart's books and papers? A.—I presume he has.

Q.—And he has an office in what building? A.—He is in the Winch Building.

Q.—What other persons or companies does he represent? A.—He represents Foley, Welch & Stewart.

Q.—He represents Foley, Welch & Stewart? A.—Yes. He represents the Grand Trunk Pacific contracts for Foley, Welch & Stewart and Mr. Stewart personally.

Q.—And what does he represent in regard to the P.G.E. matters—just Mr. Stewart personally? A.—Yes, Mr. Stewart personally; and then he had charge of Foley, Welch & Stewart's books.

Q.—I would ask also that steps be taken to compel the attendance of Mr. Donald McLeod, and he be required to produce all the papers of Foley, Welch & Stewart and John W. Stewart and of the P.G.E. Railway Company, and all the vouchers and books in his possession relating to these matters.

Mr. Davis: Mr. White, are there any books of John W. Stewart or are they personal books? A.—Well, I don't know anything about him.

Q.—You don't know anything about him? A.—No.

Q.—If they are his personal books we will not produce them. A.—They are his personal books, I know.

Mr. Taylor: Is there a Daniel McLeod also? But they call him Dan, but his name is Donald. They call him Dan.

The Chairman: Where is he now, do you know? A.—No, I don't; but I presume he is in Vancouver. I have not seen him since yesterday morning. I saw him yesterday morning.

Mr. Taylor: Have you any notion that he is going away to Seattle or any other place? A.—No, I have not.

Mr. Hall: Mr. White, reference has been made here to J. W. Stewart? A.—I beg your pardon?

Q.—Reference has been made to J. W. Stewart, of Foley, Welch & Stewart. That is Brigadier-General Stewart, isn't it? A.—Yes.

Q.—Where is he now? A.—He is somewhere in France.

Q.—And reference has also been made to Angus Stewart. Where is he? A.—Well, he is at the front too. I don't know whether he is in France or in England.

Q.—That is a brother? A.—Yes.

Q.—A brother of General Stewart's. A.—Yes.

Mr. Maclean: Mr. J. W. Stewart is building bridges to help on the advance, I understand. A.—Yes.

Mr. Maclean: That is good work.

Mr. Taylor: We have heard that a good many times. It is put on record when anything of importance comes up.

Q.—Where is Mr. R. J. Cromie? A.—I presume he is in Vancouver.

Q.—What has he to do with Foley, Welch & Stewart? A.—Well, he was in charge of the local offices while Mr. McLeod was up on the Grand Trunk Pacific.

Q.—Is he connected with Mr. John W. Stewart or Foley, Welch & Stewart at the present time? A.—I presume he is.

Q.—What is his full name? A.—I think his name is Robert.

Q.—Robert? A.—Yes.

Q.—J? A.—Yes.

Q.—Robert J. Cromie? A.—Yes.

Q.—I would ask that Mr. Cromie be called to attend this Board of Investigation and produce all papers and documents of John W. Stewart's belonging to Foley, Welch & Stewart, the P.G.E., or P. Welch.

Mr. Hall: I move accordingly.

Mr. Davis: I again say if there is anything personal in the books of J. W. Stewart we decline to produce them.

R. D. Thomas, witness.

Mr. Taylor: Now, you have that cheque, Mr. Thomas? A.—Yes. I see that it is endorsed by both Mr. Tate and myself, and I presume I drew the cash for it.

Q.—I want it further than presumption. Did you draw the cash or did you not? A.—I drew the cash.

Q.—That is the way to answer. And when you got the cash, what did you do with it? A.—I gave it to Mr. Tate.

Q.—I will file that cheque as Exhibit 221. Who paid the P.G.E. Railway Company for that money that Mr. Tate got? A.—I have forgotten.

Q.—Oh, have you? Well, I suggest to you, or I will remind you, that Mr. P. Welch paid the P.G.E. Railway by his cheque from Vancouver. You say you have forgotten that? A.—Yes, I had forgotten that.

Q.—It is true, though, isn't it? A.—I have no doubt it is.

Q.—And that leaves \$15,000 in Mr. Tate's hands. What did he do with it? A.—I don't know anything about it.

Q.—What did he get it for? A.—I don't know.

Q.—You swear you don't know. A.—No.

Q.—You never heard what he got it for? A.—No, I never heard.

Q.—It was not for the P.G.E. Company's business, was it? A.—No.

Q.—And it was not for Foley, Welch & Stewart's business, was it? A.—That I do not know.

Q.—It remains charged to him yet, doesn't it? A.—Where?

Q.—No, it would not remain charged. It was charged to him and paid by P. Welch. Did you ever get an explanation why P. Welch would pay for the \$15,000 given to D'Arcy Tate? A.—No.

Q.—Did you ever ask for any explanation? A.—No.

Q.—What was said to you at the time you issued it? You signed that cheque as secretary-treasurer, Exhibit 221; what was said to you in justification of issuing the cheque for \$15,000 to Mr. D'Arcy Tate privately at the time you signed that cheque? A.—It would be hard for me to say definitely, but the only recollection I have of it was that it was put that it was to be in the nature of an advance.

Q.—For what purpose? A.—I don't know for what purpose.

Q.—No explanation? A.—No.

Q.—Mr. Tate had no authorization from the directors to get an advance, did he? A.—No.

Q.—Then, how could you, as secretary-treasurer, issue \$15,000 to Mr. Tate without a resolution of authority from the directors? A.—I admit it was bad practice.

Q.—Why did you do it? A.—I did it at his request.

Q.—There was no suggestion from any other person? A.—No.

Q.—Now, you are not forgetting anything, are you? A.—I hope not.

Q.—You see that was only a year ago—February, 1916? A.—Yes.

Q.—Do you know who ultimately got that \$15,000 or any part of it? A.—No.

Q.—Was Mr. Tate going away at that time? A.—I don't remember.

Q.—Was he paying for anything in particular at that time? A.—I don't remember that.

Q.—You don't know the purpose for which he wanted that advance? A.—No.

Q.—He never told you? A.—No.

Q.—Gave you no suggestion of it? A.—No.

Q.—And you had no suggestion from any person else? A.—No. If I remember rightly, however, when he got that advance he gave me a cheque at the same time in payment of it.

Q.—And what became of that cheque? A.—Well, my recollection is that the cheque was dated a day ahead, and it was therefore not negotiable on the day he wanted the cash.

Q.—But you told me P. Welch paid for it? A.—No. You told me that—excuse me.

Q.—You didn't remember it when I told you that? A.—No; it has come to me since.

Q.—You remember that P. Welch had paid for this \$15,000? A.—No. My recollection would be that he gave me his own cheque. But you told me it was P. Welch's cheque that paid for it.

Q.—Do you say that P. Welch paid for that \$15,000 or not? A.—I cannot say without looking at my ledger.

Q.—Where is your ledger? A.—Or my cash-book, rather.

Q.—Will you produce your cash-book then? A.—Yes.

Q.—Whilst Mr. Thomas is out looking for his cash-book I would ask Mr. White where the cash-book of P. Welch is?

E. F. White, witness.

A.—He has no cash-book.

Mr. Taylor: He has no cash-book? A.—No.

Q.—That is the reason that there is no cash-book among those produced? A.—No; he has no personal cash-book.

Q.—Has the contractor P. Welch any special cash-book? A.—Yes, P. Welch has; that is out there—that cheque register; but there is no cash-book; it is a cheque register.

Q.—Then, there is no other cash-book? A.—No; just what the account shows, the petty cash, just payments of small items.

Mr. Hanes: Does that show all these millions of dollars that were paid into the contract from Foley, Welch & Stewart? A.—The cheque register?

Q.—Yes. A.—No, the cheque register is just the cheque issues.

Q.—What books have you to show the cash receipts for P. Welch accounts? A.—They are just through the private ledger—the journal entry—an account with the bank.

R. D. Thomas, witness.

Mr. Taylor: You have your book there? A.—Yes.

Q.—What information does it give you? A.—There is nothing in it associating P. Welch with it at all.

Q.—Just look at the book and tell me who paid back that \$15,000. A.—D'Arcy Tate undoubtedly paid it back. I have a record of the transaction on February 28th, the date I issued the cheque, and there is an entry on February 29th showing an account collectable against D'Arcy Tate retiring the advance.

Q.—Yes; but who paid it back is my question? A.—Mr. Tate must have paid it back. He did pay it back.

Q.—I asked you whose cheque paid it back? A.—Well, to the best of my recollection, it was Mr. Tate's cheque.

Q.—I will tell you Mr. P. Welch's books show he paid it back the next day. A.—Well, may I ask if Mr. P. Welch's books show that it was paid back to the Company?

Q.—Yes, those are my instructions. A.—Well, very good.

Q.—Cheque issued to Tate? A.—Well, I presume it was issued to Tate.

Q.—And did Tate turn it back into your Company? A.—Well, as to that I could not say.

Q.—Why can't you say? A.—Because I have not got the cheque now.

Q.—I understand from you that you have no independent recollection that P. Welch had anything to do with paying back that \$15,000 cheque? A.—That is true, yes.

Q.—That is true. You have no independent recollection of that. You are not prepared to say he did not? A.—No.

Q.—Or you are not prepared to say he did? A.—No; I don't know where the money came from to pay Mr. Tate.

Q.—But you are not prepared to say he did? A.—No.

Q.—Or that he did have anything to do with the paying-back of that \$15,000? A.—No, not of my own personal knowledge; but you have just informed me that he did.

Q.—Never mind what I have informed you. I am asking you, have you any personal knowledge whatever, personal or otherwise, that P. Welch had anything to do with the paying-back of that \$15,000? A.—Your question seems very plain, but I don't know how to answer it, except that I had no knowledge until you informed me of it.

Q.—Leaving out everything that I have told you—outside of that, had you at the time it was paid back any information that P. Welch had anything to do with the paying-back of that money? A.—I have no recollection of it now.

Mr. Hanes: But your voucher for that shows that it was paid at par in Vancouver. A.—That is the one we were looking at the other day, is it?

Q.—Yes. A.—Well, I drew the inference then it must have been D'Arcy Tate himself who drew the cheque; otherwise the thing would not have been on the slip that it was payable at par in Vancouver.

Mr. Taylor: Do you know anything about these \$50,000 cheques which Mr. D'Arcy Tate got? A.—No.

Q.—From P. Welch? A.—Nothing, except what he told the Committee. I had not knowledge of it.

Q.—January 16th, 1915, cheque to D'Arcy Tate, \$50,000; and January 16th, 1915, the same date, another cheque for \$50,000. Now, did you ever hear of that before you heard him speak of that before the Committee? A.—Yes.

Q.—You did—when? A.—Just a few days before; he discussed the matter with me.

Q.—Is that the only time you heard of it before? A.—Yes.

Q.—That was the only time. He discussed it with you a few days before he spoke of it in this Committee? A.—It was possibly just the day before.

Q.—Just tell me when it was. A.—I think he discussed the matter with me the day before his last appearance before the Committee.

Q.—And what did he say to you? A.—He reiterated—

Q.—Just tell us what he said, and all that he said. A.—I cannot tell you all that he said, for much of what he said was told me in confidence.

Q.—I want it whether it was told in confidence or not. I want everything that he said, whether it was said in confidence or not. Now, you can take the responsibility of refusing to answer if you wish. A.—Oh, I must refuse to answer anything that he told me in confidence; but anything that he told me in connection with the P.G.E. I would be pleased to tell.

Q.—I want to know what he told you about those two cheques? A.—He did not mention any two cheques.

Q.—Well, what did he mention, then? A.—That I cannot say.

Q.—You mean to say you won't say? A.—In confidence he told me his private matters, and I could not say what he said.

Q.—Concerning moneys that he got from P. Welch? A.—They were concerning his moneys.

Q.—That he got from P. Welch? A.—No matter where he got them.

Q.—And he told you he had dispersed them for campaign funds and party purposes?

A.—In a general way he did.

Q.—And he told you the parties he paid them out to? A.—Yes.

Q.—And you have those names in your possession? A.—I have the names, yes.

Q.—I want the names. A.—I cannot give them.

Q.—You won't give them, you mean? A.—Yes.

Q.—I ask that steps be taken to compel Mr. Thomas to give them.

The Chairman: You understand the powers that this Committee have? A.—Yes.

Q.—Where is that resolution?

Mr. Davis: I don't think the House has any power to force any of these things at all. I don't think they have.

The Chairman: Now, Mr. Thomas, this resolution was passed by the House yesterday: "That the Select Committee, consisting of eight members of this House—namely, Messrs. Farris, Hall, Hanes, Anderson, Yorston, Ross, Shatford, and Pooley—appointed on the 14th day of March last to inquire into all matters directly or indirectly relating to the construction of the Pacific Great Eastern Railway, be and said Committee are hereby authorized and empowered to take the evidence of Mr. D'Arcy Tate and any other person or persons in any matter directly or indirectly connected with the Pacific Great Eastern Railway Company, or with Foley, Welch & Stewart, or with P. Welch, or any other person whatsoever to give any and all evidence, to produce any and all papers and vouchers showing the disposition of any moneys for campaign or political purposes, or for the purpose of obtaining charters, advantages, or benefits, or moneys, or influence in respect of and in support of the Pacific Great Eastern Railway, its properties or enterprises, or contract or undertakings." Now, this Committee is sitting here under that authority and you are required to answer the question. A.—Well, it is a question that affects my personal honour. The information was given to me in strict confidence and I must hold it so.

Mr. Taylor: You refuse to answer that? A.—Yes, I do.

Q.—Any of these questions? A.—Yes.

Q.—I would ask you this question: Did he tell you that he paid any of that money or any of the moneys to Sir Richard McBride? A.—I decline to answer.

Q.—You decline to answer? A.—Yes.

Q.—Did he tell you that he paid any of the moneys to W. J. Bowser? A.—I decline to answer.

Q.—You refuse to answer? A.—Yes.

Q.—Now I ask you, did he tell you that he paid any of these moneys to R. F. Green? A.—I decline to answer.

Mr. Shatford: Did he tell you that he paid any of those moneys to any member of the Liberal party? A.—I decline to answer that.

Mr. Hall: I am afraid that we shall have to deal with this with the others.

Mr. Hanes: I would ask that this case be placed in the same category as Mr. Tate's. It is a very serious matter.

Mr. Taylor: Are you willing to attend before this Committee this evening? A.—Yes.

Q.—You have no intention, in view of the action that this Committee is going to take, of leaving this City? A.—No.

Q.—You undertake not to leave this city? A.—I do.

Q.—And you will attend here to-morrow if required? A.—Yes.

Q.—You are required to attend here this evening.

The Chairman: Now wait. As far as I am concerned, that is not accepting your refusal, but it is merely for the purpose of having you here after the House undertakes to force you to answer.

Witness: I have given you my word of honour that I shall be here this evening and to-morrow if necessary.

Mr. Hanes: As I understand it, Mr. Chairman, you said a while ago that we would meet in a few minutes after this was over to see what steps would be taken in connection with Mr. Tate, and this would naturally be dealt with at that time, I suppose.

The Chairman: Yes.

Mr. Taylor: Do you know anything about the Howe Sound & Northern issuing any bonds, or of any bonds being issued at the time they were purchased, for the purpose of their purchase? A.—When we took over the Howe Sound & Northern there were certain bonds outstanding. It took a long time to have them cancelled, but I believe there are none outstanding now.

Q.—Those were the bonds issued by the Howe Sound & Northern? A.—Yes.

Q.—Was there any other contemplated bond issue for the purpose of completing that purchase? A.—None that I am aware of.

Q.—There never was any issued, or debenture issue, or anything of that sort? A.—No.

The Chairman: They were paid in cash? A.—It was the undertaking of the Howe Sound people that they would deliver up the Howe Sound properties, but it took a long time to straighten it up.

Q.—Well, did they ultimately get it in cash? A.—The payments were made through the Development Company, but I believe they have been all paid in cash.

Mr. Hanes: Well, the P.G.E. Railway Company paid money to the Development Company, did they; and the Development Company to the Howe Sound & Northern? A.—Yes, or to Foley, Welch & Stewart.

Q.—Did the Pacific Great Eastern—or did the Howe Sound & Northern receive the same amount of money that the Pacific Great Eastern paid out to the Development Company? A.—They received a great deal more, because the consideration of the Howe Sound & Northern was for the railway and lands at Squamish. The Railway Company was only interested to the extent—it was at first \$193,000-odd, and later when a clerical error was noticed it was reduced to \$187,000.

Mr. Pooley: Reduced by or to? A.—Reduced to \$187,000-odd. The purchase now as it appears on the Railway Company's books is \$187,000.

Mr. Hanes: Well, then, some went to the Development Company—the Howe Sound & Northern Development Company? A.—Well, I don't know anything about that. That would be private between the Howe Sound & Development Company, according to how those properties were held.

Q.—Well, is it reported generally that the Howe Sound received \$1,100,000? A.—It is reported generally. That was the agreement.

Q.—And how much of that came out of the P.G.E. Railway? A.—\$187,000.

Mr. Taylor: I would like to ask Mr. White now some questions.

Mr. Hall: If you will excuse me, there are just one or two questions I want to ask Mr. Thomas before you call Mr. White.

Q.—In connection with this \$15,000 payment, Mr. Thomas, I am not quite clear on that. It is not the custom, I take it, to cash cheques for that large amount? A.—I have cashed cheques for larger amounts.

Q.—In the same manner? A.—Well, cheques are only cashed in one manner.

Q.—Well, I mean the cheques of the Railway Company? A.—I rather think there was an amount of \$20,000 at one time that I cashed, but of that I would not be sure whether I cashed it, or whether Mr. Tate cashed it.

Q.—Well, we will deal with this \$15,000 payment, then. This \$15,000 cheque is the only one that you remember having cashed? A.—Well, the only one that I can identify as a railway cheque which I cashed.

Q.—It struck you as being a transaction very much out of the ordinary? A.—Well, it struck me as being—I don't know how I can answer that intelligently. It, of course, was not in the regular way of business.

Q.—You said it was an unsound business policy, doing it in that way? A.—Oh, I don't think so.

Q.—Well, whatever your words were. Your expression was quite correct, I think. It was not proper book-keeping, we will say—or whichever way you want to put it. But, at any rate, here was this \$15,000 payment made in cash at that time? A.—Yes.

Q.—And it struck you as being an extraordinary payment? A.—My recollection is now, as I just stated, that it was only a very temporary accommodation, if I remember rightly.

Q.—But why was it cashed? That is what I am getting at. Why cash it? A.—Well, that would have to be asked Mr. D'Arcy Tate, because it was his personal matter.

Q.—You were quite frank, Mr. Thomas, before in declining to answer certain other questions which you knew in confidence? A.—Yes.

Q.—Now, was there something in confidence given you in connection with this that you refuse to answer? A.—No; I have explained fully, and my evidence will be just as frank and clear as possible; but I don't want to withhold anything that was not told me in confidence, and anything in connection with my duties, or any official act that I performed, I will most openly explain.

Q.—You see, ordinarily in business you don't go around with any \$15,000 in cash. A.—Well, I don't, it is true.

Q.—And you don't know of any other transaction of this kind of the Railway Company? A.—Well, I mentioned that there was another \$20,000 payment—I just don't know anything about it. And I would have to see the cheque again to say whether I cashed it.

Q.—Well, can you show us in the book that \$20,000 cash payment? A.—I would have to refer to another book as an index. I cannot readily determine it. I would have to look up the index.

Q.—But Mr. Taylor wants to go on with Mr. White. You can go on with that again. A.—That is all at the present time.

Q.—Well, by referring to the index, you can find out if there were any other cash payments of a similar nature? A.—Yes.

Q.—And you can have that ready for us at the next sitting of the Committee? A.—Yes. (Witness aside.)

E. F. White, witness, recalled.

Mr. Taylor: Mr. White, you are a member of the firm of Sperry & White? A.—Yes.

Q.—On March 5th, 1917, you got a cheque for \$50,000 from P. Welch? A.—Yes.

Q.—What did you get that for? A.—We borrowed it.

Q.—What for? A.—For mining investments.

Q.—Whereabouts? A.—Near Hope.

Q.—Did you pay all of it out? A.—Oh, no, not all of it.

Q.—How much of it? A.—Oh, I suppose in the neighbourhood of \$20,000.

Q.—\$20,000, and what did you do with the balance? A.—It stood in the bank to our credit.

Q.—\$30,000? A.—Practically that; I don't remember exactly.

Q.—Well, to whom did you pay the \$20,000? A.—Various parties.

Q.—Can you name them? A.—We bought some claims; and we paid \$12,000 cash for one lot, and \$1,000 on another lot on account, and other items were for labour and supplies.

Q.—Did you give any security for that \$50,000 cheque? A.—No.

Q.—No security? A.—No.

Q.—And you swear it was a pure loan for your own private purposes? A.—Yes.

Q.—Of Sperry & White? A.—Yes, absolutely. That money was withdrawn from the contract funds and repaid. The boys have a deposit slip for it, and Mr. Welch put his own personal cheque in to offset that.

Q.—And Mr. Welch has repaid that \$50,000 to the contract? A.—Well, just understand me. We drew it out of P. Welch's contract funds.

Q.—And Mr. P. Welch put his personal cheque in for it? A.—Yes.

Q.—Was it cashed? A.—Yes.

Q.—Then it has been returned, and it stands now as a borrowing of Sperry & White from P. Welch? A.—Yes.

Q.—Privately? A.—Yes.

Q.—And you swear it was not borrowed for any purpose—any political purpose, or anything of that sort? A.—Absolutely not.

Q.—Nothing to do with it? A.—Nothing in any way, shape, or manner.

Q.—Very well. I see in this private ledger on page 5 there is a long account of Sperry & White's, showing a large number of withdrawals. What is that for? A.—Well, that applies on that account.

Q.—No; the \$50,000 is not posted up in this account. A.—Well, that applies to all the cheques that were issued by the P. Welch cheques. When we pay anything, we charge ourselves up with that, and deposit that amount to the account of the contract closing out that account.

Q.—Then, the \$50,000 was borrowed for the purpose of closing out the account that appears on pages 5 and 6 of Exhibit 220? A.—After which we paid the account of Sperry & White with a cheque direct.

Q.—And you have still a credit in the bank of about \$30,000? A.—Yes; it might be less.

Q.—Now, these cheques that I see charged to you here in Sperry & White's account, were they all dispersed towards this mining claim? A.—Yes.

Q.—Every one of them? A.—Yes.

Q.—Was there anything else but a mining claim paid out of them? A.—No.

Q.—And the vouchers are among the exhibits in here? A.—Yes, they are among the exhibits.

Q.—That reminds me. You told us the other day that you returned to John W. Stewart his cheques covering his \$763,000 withdrawals? A.—Yes.

Q.—That would be these cheques that I see on page 2 of Exhibit 220? A.—Is that it?

Q.—Yes, \$763,250. Now, are you sure that you cannot find any vouchers showing what those cheques were paid for? A.—I am quite sure.

Q.—They have all been returned? A.—Yes, as far as I know.

Q.—What do you mean by as far as you know? I want to know whether they have all been returned to him or not? A.—I think they have, Mr. Taylor.

Q.—Are you able to say they have? Don't let us have this thing answered "As far as I know," and "I presume." Let us get down to something definite. The investigation has been going on too long now to have general answers. There were some \$763,250. John W. Stewart withdrawals from January, 1913, to date? A.—Yes.

Q.—I see the last withdrawal there is \$50,000? A.—That was a mistake in the accountant charging it to the Development Company. I don't know how he did it.

Q.—What is that again? A.—He charged it to the Development Company in error.

Q.—It was withdrawn on the 28th February, 1917? A.—No, it is an old cheque.

Q.—What does this 522 mean—that is that third column of figures there—what does it mean? A.—Those are the voucher numbers.

Q.—The voucher numbers? A.—Yes.

Q.—And the voucher numbers—we can take these voucher numbers and we can find that every one of them has been returned to John W. Stewart? A.—Yes. But that covers an entry which I think should have been in August some time.

Q.—John W. Stewart has withdrawn since 31st of January, 1914—that is correct, isn't it—that much? A.—Yes.

Q.—\$763,250 out of those contract moneys? A.—Yes.

Q.—He drew \$426,500—just follow me—in 1914; his withdrawals at the end of 1915 were \$537,500; his withdrawals at the end of 1916 were \$713,250; and \$50,000 added, making \$713,300. A.—Well, that would be in 1916.

Q.—Have you any knowledge, direct or indirect, as to where any of these moneys referred to in this account on page 2 of Exhibit 220 went to from John W. Stewart? A.—Nothing but this \$2,000.

Q.—The \$2,000 which is the entry of the 14th day of July, 1916? A.—That is the only one I have.

Q.—Is there another one? A.—No, that is all.

Q.—That is the only \$2,000 item? A.—Yes.

Q.—Now, where did that go to? A.—\$1,600 of that went for the purchase of an automobile, and \$400 as expenses on account of myself.

Q.—Yes; \$1,600 went for the purchase of an automobile? A.—Yes.

Q.—For whom? A.—For Mr. Stewart.

Q.—Mr. Stewart? A.—Yes.

Q.—For his own private use? A.—Yes.

Q.—And \$400 went to whom? A.—\$400 expense account of mine. I made a trip to Spokane for the firm about that time. It was a personal matter.

Q.—You must have had a good time on \$400. A.—Well, I had some of it left.

Mr. Maclean: He had something to show for it, probably.

Mr. Taylor: You felt it for some time afterwards you mean?

The Chairman: You show too much expert knowledge, Mr. Taylor.

Mr. Taylor: Now, outside of this \$2,000, you don't know where this \$100,000 went? A.—No.

Q.—You don't know where this went? A.—No, I have no idea.

Q.—Not the slightest knowledge? A.—No, not the slightest.

Q.—Now, I understood your system was—you would sometimes issue the cheque to P. Welch, and he would draw the money, and then the money was passed over to John W. Stewart? A.—I don't know what he did; I know I cashed some of them.

Q.—You cashed some of the cheques payable to P. Welch? A.—Yes.

Q.—And charged to John W. Stewart? A.—Yes.

Q.—Now, what was the reason that you went that roundabout way of doing it? A.—Well, I don't know that there was anything particularly roundabout in it.

Q.—Why didn't you issue the cheque direct to John W. Stewart? A.—He just told me to get it cashed.

Q.—He could get the cheque cashed. And I suppose when you wanted to give P. Welch money, you would issue the cheque to John W. Stewart, and get it cashed in that way? A.—No.

Q.—You never did it that way? A.—No.

Q.—It only worked one way? A.—No.

Q.—Have you told us everything, as to why you made out the cheque to P. Welch and charged it back to John W. Stewart? A.—Yes.

Q.—You have told us everything? A.—Yes. I don't know anything about the reason of it.

Q.—Were you instructed about the reason? A.—No.

Q.—Do you know of any moneys being paid for political purposes? A.—No, I don't.

Q.—Have you been told? A.—No, I have not.

Q.—By P. Welch? A.—No, I have not.

Q.—Have you been told by John W. Stewart? A.—No.

Q.—Mind you, I don't care who it is—Liberal or Conservative. A.—No; I don't know anything about the political end of it; absolutely nothing.

Q.—Then, looking at page 1, I see that Mr. P. Welch has not fared too badly out of this Company that he has lost so much money in. He has drawn \$1,500,000—yes, that is it—\$1,500,000? A.—Yes, \$1,500,000.

Q.—As follows: \$400,000 on August 8th, 1914—no, on August 22nd, 1914? A.—Yes.

Q.—\$400,000 again on the 21st day of January, 1915? A.—Which is that?

Q.—That is the one that was issued in eight cheques? A.—Yes.

Q.—No; it was August 22nd that we had the \$400,000 divided into eight cheques. That was the first issue. The first withdrawal on this account; and then the next \$200,000 was divided up—no, you have not got them all there. You have not charged them all up. How is that? A.—I have charged him up with everything that he drew.

Q.—P. Welch got 1, 2, 3, 4—four \$25,000 cheques on the 25th day of November, 1914, making \$100,000. Now, what has become of that entry? What is the reason that is not charged up?

A.—I don't know. That does not belong to that account. That is all Mr. Welch drew. I don't know where he got them from.

Q.—Your vouchers show four \$25,000 cheques issued on the 25th day of November, 1914?

A.—Aren't they in here?

Q.—It is not in this account, page 1 of Exhibit 220. What are they? A.—I don't know what they are. You will have to look up the vouchers. The vouchers are there covering all the cheques—the 25th day of November.

Q.—Then I see cheques not charged—that are issued to you—not in your account—leaving out some cheque of \$11,600 and one of \$1,000. A.—Well, the only thing is to go over my account; I could not remember that.

Q.—On September, 1915, you got \$22,000, and on November 15th, 1915, you got \$20,000.

A.—Yes.

Q.—What did you get those moneys for? A.—They were personal items.

Q.—Personal items? A.—This item was offset. I know this \$22,000 was offset.

Q.—What were you making so much money on? There was \$42,000 inside of two months.

A.—Well, I would like to show you the entries; I cannot explain them all.

Q.—We will come to that later. A.—I am perfectly able to explain every item there through the ledger.

Q.—I see in 1914 you got a \$100,000 cheque on June 1st; and a \$25,000 cheque again.

A.—Well, they are the Stewart cheques, aren't they?

Q.—Very well. A.—They are the Stewart cheques.

Q.—Well, we are leaving P. Welch. There is nothing to be gained by going further into that account of his. It shows \$1,004,000—1,005,000 withdrawal out of this contract, and there is his investment of \$15,000 there, but he paid it back again? A.—Yes.

Q.—That is in another account? A.—Yes.

Q.—Foley, Welch & Stewart; that is a debit account? A.—Yes; that is the cash that was charged; it was part of the investment. That has all been transferred, I think, to the "general revenue." That is a part of the estimate—"extra bill" account. We carried them separate.

Q.—Then I find your personal account of E. F. White on pages 60 and 61. What is the idea of this personal account? A.—I paid my bills with the firm's cheques, and credited myself up with my salary; and any returns from my contracts, or any money that I received, I deposited them to the credit of the firm.

Q.—They are large amounts here? A.—Yes.

Q.—They amount to about \$151,000? A.—Yes. Well, I have vouchers for them.

Q.—Were you contracting to that extent? A.—Well, I have been contracting since 1904, and at this time I was interested in four or five different contracts.

Q.—You told me the other day you were only interested in one and you only drew out \$24,000? A.—That was with the Pacific Great Eastern; but I was interested with Rankin & Kellett in 1904 and 1905.

Q.—Yes; but this account deals with 1914? A.—Yes; but in the meantime there were returns from other contracts that were not constructed at that time.

Q.—They may not have been; but you were drawing big cheques of \$20,000 and \$25,000. Why were you dealing with the P.G.E. money to that extent? A.—Just as I have stated. The people paid me my personal bills, and I would deposit my salary and returns just in that way, as a matter of convenience.

Q.—What is the meaning of this general ledger account? A.—That is the account with the general ledger. They have an account with the private ledger, and they balance. The one is a debit and the other is a credit account.

Q.—What is the idea of that? A.—Well, the bank account was in my ledger; and if I received money from the bank when there was money lying to the credit of the contract, it would be entered up.

Q.—Does this show the profits? A.—No; that is what you would call a controlling account.

The Chairman: Speak out a little louder. A.—It is a controlling account—neither profit nor loss.

Mr. Taylor: It aggregates on the credit side \$5,000,000. A.—It is more than that. It is carried forward.

Q.—\$7,230,000—no, \$12,000,000. A.—Yes, \$12,000,000.

Q.—Just tell us what the idea was of keeping that general ledger account in this book. Just tell us what that account was for—pages 66 and 64 and forward. A.—The items you have seen in the cheque register were charged to the private ledger.

Q.—Why? A.—Because they entered the two accounts in the private ledger.

Q.—Now, why was that policy pursued? A.—To keep the items separate—the estimate account and the profits of the work.

Q.—The estimate account and the profits of the work? A.—Yes.

Q.—I have run against the estimate account. It is a separate account? A.—Eh?

Q.—The estimate account is a separate account, aggregating that \$16,400,000 which we were dealing with the other day; but then there is a general ledger account. What is that for? A.—Well, the general ledger account balances the private ledger account exactly.

Q.—Supposing it does; what is the purpose of keeping it? A.—It is to keep the accounts private. The boys did not know, then, anything about the estimate or the bank account. It was kept private.

Q.—You kept it private? A.—Yes.

Q.—It was kept private? A.—Yes.

Q.—Was it for any other purpose? A.—No, not at all. The items entering into that passed through the general ledger.

Q.—Who determined the items that would go into the private and general ledger account and what would not? A.—I would.

Q.—What is this salary account, page 102? A.—That is my salary account.

Q.—Your salary? A.—Yes, and one other item.

Q.—Your salary and one other item? A.—One other item of \$350. I think that is a credit to a man named Stentum.

Q.—And outside of that you drew from salary \$28,628? A.—Yes.

Q.—These other ledgers that are not produced—they are all entries in your handwriting too? A.—No, not all of them. The first entries, I believe, were made by Mr. Wilson, and they were made early in Spokane before we came over here.

Mr. Hanes: Did you get any other salary, Mr. White, out of any of the other subsidiary companies? A.—No.

Q.—Other than the \$500 a month? A.—No.

Q.—Was that the total salary? A.—That was Foley, Welch & Stewart's account in connection with the Development disbursements (indicating on book).

Mr. Taylor: Foley, Welch & Stewart's Development disbursement account? A.—Yes.

Q.—That is at page 190. A.—Yes.

Q.—Development of what? A.—The Development Company.

Q.—And do I understand that that Development ledger that was filed here several days ago was written up entirely from this book? A.—Yes.

Q.—From this book? A.—Yes.

Q.—And no other book? A.—No.

Q.—Now, all these withdrawals that we have been referring to of P. Welch and Mr. Stewart's—you have returned, you have told me, all the cheques to them? A.—Yes.

Q.—When did you last return the cheques with respect to these items to P. Welch or Mr. Stewart? A.—I think it must have been about a month ago; I am not quite sure.

Q.—After this investigation started? A.—No, I think not.

Q.—When it was known that this investigation was going to be brought on you returned those vouchers to these people? A.—I don't know whether it was before or after; it was not very long ago.

Q.—John W. Stewart was not in the country when you returned his? A.—No.

Q.—You sent them to him, did you? A.—No; they were given to Mr. McLeod.

Q.—Oh, then, they are with Mr. McLeod? A.—He made the request for them.

Q.—That is Donald McLeod? A.—Yes.

Q.—I would ask also for the production of those, and that steps be taken to have them brought forward.

The Chairman: Have you got a record of them?

Mr. Taylor: The cheques referred to in the account of John W. Stewart, page 2 of Exhibit 220; that is right, isn't it—all those cheques here? A.—Yes.

Q.—And you returned all the vouchers connected with those cheques? A.—Yes.

Q.—And you returned nothing else except the vouchers and the cheques? A.—No.

Q.—Did you extract any of the letters or memoranda from any of the files? A.—No.

Q.—Or return them to Mr. Welch or Mr. Stewart, or any one else? A.—No.

Q.—You have not? A.—No.

Q.—No letters or data have been extracted from the files? A.—No.

Q.—Simply the cheques? A.—Yes.

Q.—Which Mr. J. W. Stewart requested you for through Mr. Donald McLeod? A.—Well,

Mr. Donald McLeod made the request direct; he is his attorney.

Q.—Did Mr. P. Welch request you to return them? A.—No.

Q.—The cheques covering the two accounts as shown on page 1? A.—No.

Q.—Those cheques—eight cheques of \$50,000 each are here. I would ask that all the cheques be produced for all these account on page 1—all of them, amounting to \$1,005,000. A.—\$1,005,000.

Q.—I understand that nothing has been returned to Mr. P. Welch? A.—No.

Q.—Or any person for him? A.—No; everything of his is here.

Q.—And everything is here respecting P. Welch? A.—Yes; all those cheques are here; the boys will get them for you.

Q.—On February 16th, 1917, P. Welch got a cheque for \$30,000 on account of superintendence; what was that for? A.—That was not for superintending. That was an error. It was charged up to Foley, Welch & Stewart.

Q.—In this private ledger? A.—No; it is in the general ledger.

Q.—What should it have been? A.—Well, it was a withdrawal on account of Foley, Welch & Stewart.

Q.—For what purpose? A.—Mr. Welch got the cheque.

Q.—For what purpose did he get it? A.—I don't know.

Q.—Has he returned the money? A.—I beg your pardon?

Q.—Has he returned the money? A.—No.

Q.—Why, then, isn't it charged for in this account of his—the private account? A.—It is a general ledger account of Foley, Welch & Stewart's account. It is charged against Foley, Welch & Stewart, and I presume he would account to them for it. His cheque is on file now.

Q.—And Foley, Welch & Stewart's account is in the general ledger? A.—Yes—the withdrawals.

Q.—And that would contain the withdrawals that P. Welch actually made, but which were not charged to him privately? A.—No.

Q.—How much was charged to him? A.—I think, just that \$35,000.

Q.—Nothing more? A.—No; I am quite sure that is all.

Q.—You don't know what he wanted it for? A.—No.

Q.—Who instructed you to issue it? A.—He did. That is a copy of the expenses there.

Mr. Hanes: Who do you say you charged it to the superintendence? It appears in the books as if he drew it on account of superintendence. A.—That is an error.

Q.—Was it an error? A.—Yes.

Mr. Davis: Mr. White, these amounts that you spoke of as having been drawn out, charged up to John W. Stewart and others, did they amount to as much as the money put in by Foley, Welch & Stewart? A.—No; there is still a balance.

Q.—In their favour? A.—Yes.

Mr. Hall: Where is that statement of the moneys paid in by them, Mr. White? A.—I beg your pardon?

Q.—Mr. White, where is the statement of any of the particulars of the details of the amounts paid in by Foley, Welch & Stewart, or any of them? A.—Well, it has all been transferred to the general ledger. We would have to get a record from that.

Q.—Isn't there a cash-book of some sort, showing the payments. A.—Well, some of it is in this private ledger.

Mr. Taylor: But there is no account here showing Foley, Welch & Stewart's invested money, except one account here which is square. I noticed that as I went through. A.—No.

Q.—There is one here in Fort George—\$200,000.

Mr. Ross: Is that campaign funds too?

Mr. Taylor: No.

Mr. Davis: No; that is money paid in.

Mr. Taylor: There is no account here showing that there is any advance by Foley, Welch & Stewart to this Pacific Great Eastern. A.—On the Fort George books there is an advance shown of \$400,000.

Q.—But in your general ledger, can you show in the general account where Foley, Welch & Stewart are the creditors of the Pacific Great Eastern Railway for any amount of money at all? A.—Yes, we can show from the different accounts.

Q.—From the different accounts? A.—Yes.

Q.—You can make up an account, you mean? A.—We can take it from the ledgers; and they will show in the bank-book—the deposits.

Q.—Anyway, there is no such account in these books. That is, a separate account; that is the point. A.—There is just that \$200,000.

Q.—That does not mean an advance. What does it mean? A.—It is an advance absolutely; it is an advance.

Q.—For what purpose? A.—For the purpose of carrying on the contracts.

Q.—Was it cash? A.—Yes.

Q.—To Fort George? A.—Yes.

Q.—To Fort George, of the Pacific Great Eastern? A.—Yes; for the purpose of carrying on the contract.

Q.—Was it transferred to any other account? A.—No, I think not.

Q.—Are you sure? A.—Well, these questions are—

Q.—I am asking you the question. A.—You must understand we have done work for four and a half years, and you cannot expect me to answer every question offhand.

Q.—But you are looking at the account which is right before your eyes. Was it transferred to any other account? A.—I think not. The boys may have the general statement, and Mr. Kaufman would be able to say whether he took that into his balance-sheet or not in our last statement and bank account.

Q.—I say, would your balance-sheet show that item I am looking at on page 3—those two items of \$100,000 each? A.—Yes, certainly; it was carried on from that date; the credit was put in the bank.

Q.—You were to produce this balance-sheet. Have you any of them here? A.—I have not any here. If there are any they are in Vancouver.

Mr. Davis: I am instructed there were none.

Mr. Taylor: But you took off a trial balance I understood you to say the other day. You took them off every six months. A.—Yes, sometimes every six months.

Q.—And you had them in Vancouver you said, and you would produce them this morning. A.—I could not find any there. They must have been shipped over with the first lot of books.

Q.—Will you find them here? A.—I don't know whether I can or not.

Q.—Do you say you don't know where they are? A.—I don't.

Q.—You say they are not in Vancouver? A.—Yes.

Q.—Will you say you have not had them taken from Vancouver? A.—I don't swear that they are here.

Q.—If they are not here, where are they? A.—I don't know.

Q.—If they are not here, where did they go to, or have you any knowledge of where else they went to? A.—No, I have not.

Q.—Did you do anything else with them other than send them over here? A.—No.

Q.—But you have those balance-sheets; and those balance-sheets would from time to time show whether you carried this item as an asset or not? A.—Well, the bank-book will show that was deposited.

Q.—If we had your balance-sheet we would know how much there is in this stuff, and how much there is not. If the Railway Company owed you any sum of money as shown here the balance-sheet would show it. And what is the reason you won't show your balance-sheet? A.—No reason in the world.

Q.—It would answer the very assertions that have been made so persistently. There is not a thing in the book to show there was any advance made.

Mr. Davis: It is shown in the deposits; that is the only place it would be shown; and the items would be shown there.

Mr. Taylor: If I advanced money to a man it would be shown in my books, and would be charged up against him.

Mr. Pooley: You have a different method of book-keeping.

Mr. Hanes: I was not quite clear on that \$30,000 item. You said the charge of \$30,000 to P. Welch was a mistake—for superintendence? A.—Yes.

Q.—What was it for? A.—It was a withdrawal—a straight withdrawal of Mr. Welch.

Mr. Taylor: How much money has been realized out of the Squamish lots; do you know that? A.—What is that?

Q.—From the Squamish lots? A.—Oh, we sold, I think, \$3,000.

Mr. Pooley: A little louder. A.—\$3,000.

Mr. Taylor: I see you have the Howe Sound & Northern Development Company's account here. Was there an actual *bona-fide* payment of \$1,100,000 made to the Howe Sound & Northern? A.—Yes.

Q.—In cash? A.—Yes.

Q.—No return or rebate? A.—No.

Mr. Hanes: Could you tell us who received those amounts? A.—I could not say offhand. The cheques would show. What do you mean?

Q.—Who were those cheques paid to? A.—Well, I don't remember.

Mr. Maclean: Payable to?

Mr. Hanes: I mean, who on behalf of the Development Co. received those cheques? A.—Well, they had agents—financial agents here.

Mr. Taylor: Who were they? A.—I have forgotten who they were. I could tell by the cheques.

Mr. Maclean: You have the cheques? A.—Yes.

Mr. Taylor: Who received these Indian reserve purchase items? I see the first item of \$161,419, and then I see a \$25,000 item which went to the B.C. Government; and you continue making payments down to 1916 aggregating \$200,218.16 as the Indian reserve purchase. Who were getting those moneys? A.—Those small items were for the small houses that we built on the Indian reserve as part of that purchase agreement.

Q.—But you don't know who those cheques were payable to? A.—No.

Q.—You have the cheques here? A.—Yes.

Q.—And the vouchers? A.—Yes.

Q.—Page 210 is the Howe Sound & Northern Development Co.'s cheques, which I think should be all gone over; and the Indian reserve purchase cheques, which I think should also be gone over—the same page. They should be all gone over. What is the meaning of P. Welch—general ledger account? A.—That is the payment made by the general ledger account—under the contract.

Q.—Aggregating \$359,567.21. There are some \$50,000 cheques here, and there is a \$200 cheque, and this \$20,000 cheque, and two \$50,000. Why were they kept in that shape—three \$50,000? Why were they kept in this account and not in the first account—page 2? This is just to get at the system of your book-keeping? One would think, looking at page 1 of Exhibit 220, that you had the whole thing, and then you go on to page 3 and you get a number of other items. A.—Well, that is the account from the general ledger.

Q.—Why separate them? A.—Because it is charged to the Development Co.

Q.—According to this book, the William Lawe properties cost about \$100,000, didn't they—about \$107,000 with the interest? A.—Yes; with the interest, yes.

Q.—We were told it cost \$300,000 by Mr. Tate? A.—Yes.

Q.—The books show it cost \$107,000 with interest; \$20,000 interest. Page 221 of Exhibit 220. What is the idea of keeping an Indian reservation expense account? A.—There are certain expenses in connection with the purchase.

Q.—Subdividing, and that sort of thing, I suppose? A.—Yes; expense items.

Q.—Have you sold any plant and equipment off the road lately, or during last year? A.—Yes; we have sold some rails.

Q.—How much? A.—I don't remember the amount.

Q.—About? A.—A small portion of that belonged to the Company, and a good portion belonged to the sub-contractors.

Q.—How much did you sell—rails? A.—Altogether, with the sub-contractors?

Q.—Yes. A.—(To Mr. Kaufman.) Do you remember the rail sales, the total amount? I think there was \$16,000 or \$17,000; just about \$17,000.

Q.—\$17,000? A.—Yes.

Q.—How much did you sell—plant? A.—I don't remember any plant. (To Mr. Kaufman.) Do you remember any plant?

Q.—You sold plant to the Ocean Falls Company? A.—That has been a year ago.

Q.—How much did that amount to? A.—I don't remember; the books will show.

Q.—About how much? A.—\$5,000, possibly.

Q.—Not more? A.—It was not all plant; some of it was supplies; our books will show.

Mr. Taylor: We require some time to consider the matter, Mr. Chairman, and I would suggest that we adjourn for three-quarters of an hour.

The Chairman: We will adjourn to a quarter to 1.

Mr. Maclean: No further evidence is to be taken, then?

The Chairman: No further evidence until to-night. We shall meet to-night at 8.30.

Mr. Taylor: Mr. White and Mr. Thomas are required to attend.

Mr. Maclean: To attend the meeting at a quarter to 1?

The Chairman: No; at the meeting to-night at 8.30.

Committee then adjourned to meet at 12.45 midday.

At 12.45 it was understood that the next meeting of the Committee would be at 10 a.m. to-morrow, Wednesday, April 18th, 1917.

TWENTY-SIXTH SESSION.

WEDNESDAY, April 18th, 1917.

The Committee of Inquiry herein met at 10 a.m. pursuant to the adjournment of April 17th, 1917.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, L. W. Shatford, W. R. Ross, and R. H. Pooley; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway Company; Messrs. E. P. Davis, K.C., and J. N. Ellis, appearing as counsel for Messrs. Foley, Welch & Stewart.

Minutes of previous meeting read by Secretary and approved.

Mr. Hall: Mr. Chairman, I beg to move that we report to the House as follows—

Mr. Ross: Is this the one that was passed here the other day?

Mr. Hall: No; this is the one that was drafted here yesterday. This is the one that we started on.

The Secretary: This is a new one.

Mr. Hall: This is the matter we were discussing yesterday and did not come to any conclusion on. I will just read on:—

"That at the conclusion of the sittings of this Committee on Friday last, Mr. D'Arcy Tate, who was examined on that day, and concerning which and his refusal to answer certain questions a report has already been made to this House, was notified by the Committee to attend for further examination before the Committee on the 17th inst. at the hour of 10 o'clock in the forenoon, at which time your Committee was advised by Mr. H. A. Maclean, K.C., counsel for said Tate, that he had been instructed by Mr. Tate to state that he, the said Tate, declined to appear to be examined with regard to his payment for campaign funds; Mr. Maclean further stated as counsel that Mr. Tate was aware that he was required to attend before the Committee at the said time and place. Your Committee further reports that Mr. R. D. Thomas, the secretary and treasurer of the Pacific Great Eastern Railway Company, testified before your Committee following the statement by Mr. Maclean that Mr. Tate had left Victoria for Seattle on the afternoon of the 16th inst., and he did not know when said Tate would return.

"2. That Mr. Thomas further stated before your Committee that Mr. D'Arcy Tate, on the day previous to the 13th inst. last, when Mr. Tate gave the evidence before Committee heretofore reported to this House, with respect to payments by the said Tate of moneys for campaign purposes, that said Tate had discussed the matter with the witness, and had told him that he, the said Tate, had disbursed moneys for campaign funds and party purposes, and had told him, the witness, the names of the parties to whom the money had been paid; and the witness further

stated that he had the said names in his possession. Upon being asked to state to your Committee these names, Mr. Thomas definitely refused to disclose the information.

"3. Your Committee further beg to report that on the session held on the 13th inst., Mr. E. F. White, a director of the said Railway Company, and chief clerk and personal representative of P. Welch, stated to your Committee that he had the custody and control of the private ledger of P. Welch, containing entries referred to in the ledger of P. Welch, contractor, 'as transferred to private ledger,' and the said White undertook to your Committee to produce said ledger to your said Committee at its sittings commencing at 10 a.m., Tuesday, the 17th inst. At the said sittings Mr. White produced one private ledger. He stated that there were two other ledgers, Nos. 2 and 3, part of the same system of books and containing similar entries, which books he did not produce because they were personal matters. He further stated that the said books were still in the Vancouver office of P. Welch, and that Mr. P. Welch had gone to Seattle on the Monday, the 16th inst., and that he might go from there to Spokane, and witness did not know when he would return. Mr. E. P. Davis, K.C., counsel for Mr. P. Welch, stated that said ledgers numbered 2 and 3 would not be produced, notwithstanding the ruling of your Committee that the said ledgers were required to properly and fully conduct their investigations directed to be taken by this House."

Mr. Hanes: I second it.

The Chairman: Any discussion on it?

Mr. Ross: Yes; I would like to know something more about it, because I have not had the advantage of knowing what this vote was before, and there were one or two thoughts struck me in the course of reading of it. Did Mr. Thomas say that any particular sum had been distributed in that way?

The Chairman: Mr. Tate said that. No, Mr. Tate did not say the amount.

Mr. Ross: This report says that Mr. Thomas said the money had been distributed. What does that refer to?

The Chairman: It refers to the amounts that Mr. Tate said had been distributed.

Mr. Maclean: That would be the two \$50,000 cheques.

The Chairman: You may not have been present, Mr. Ross, when this evidence was given, but Mr. Tate stated that out of the \$500,000 which he received as his commission he was to take care of the campaign funds; and he said that he did take care of them.

Mr. Hall: Well, supposing I read that again? You would perhaps like me to read that portion of it again?

Mr. Ross: No; I just want to know the statement in Mr. Thomas's evidence referring to that matter, so that I can see what it covers.

The Chairman: Well, here it is—page 1485 it begins. He was asked about these \$50,000 cheques, and he said he knew nothing except what Mr. Tate told the Committee. "I have no knowledge of it," he said. He was asked about that; and he was asked if he had any conversation with him, and he said "Yes." I will read it:—

"Q.—Now, did you ever hear of that before you heard him speak of that before the Committee? A.—Yes.

"Q.—You did—when? A.—Just a few days before; he discussed the matter with me.

"Q.—Is that the only time you heard of it before? A.—Yes.

"Q.—That was the only time. He discussed it with you a few days before he spoke of it in this Committee? A.—It was possibly just the day before.

"Q.—Now, just tell me when it was. A.—I think he discussed the matter with me the day before his last appearance before the Committee.

"Q.—And what did he say to you? A.—He reiterated—"

Then on the next page—when he said he would not answer:—

"Q.—You mean to say you won't say? A.—In confidence he told me his private matters, and I could not say what he said.

"Q.—Concerning moneys that he got from P. Welch? A.—They were concerning his moneys.

"Q.—That he got from P. Welch? A.—No matter where he got them.

"Q.—And he told you the parties he paid them to? A.—Yes.

"Q.—And you have those names in your possession? A.—I have the names, yes.

"Q.—I want the names. A.—I cannot give them.

"Q.—You won't give them, you mean? A.—Yes."

He does not state any amount.

Mr. Ross: He gives the impression that the whole of it was distributed in this way.

The Chairman: It does not say so.

Mr. Ross: I think that is the impression.

Mr. Hall: I will read it again: "With respect to payments by said Tate of moneys for campaign purposes"—that is the governing clause—"that said Tate had discussed the matter with him, and had told him that he, the said Tate, had disbursed the money for campaign funds and party purposes, and had told him" (the witness) "the names of the parties to whom the money had been paid."

Mr. Ross: Don't you think it would be better to use the word "moneys" instead of "the money"?

Mr. Maclean: "Certain moneys."

Mr. Hall: I have no objection to the amendment.

Mr. Hanes: Well, I have no objection to the amendment.

The Chairman: Just say "had disbursed moneys."

Mr. Hanes: He did not specify any certain moneys. He just said moneys.

Mr. Ross: Yes, that is my recollection, because I heard what he said. Now, are you proposing to hold any further meetings in the near future? I suppose it is hardly an opportune time to take up now the question of Mr. Cromie or Mr. McLeod, because I suppose they have not been subpoenaed.

The Chairman: Well, I presume that they have been subpoenaed.

The Secretary: I have a note here: "Mr. J. R. Cromie served personally at Vancouver at 7.30 p.m. on 17th inst. Donald McLeod left Vancouver on the 16th inst. for Minneapolis, his wife states, in connection with a lawsuit there involving a firm of contractors there known as Sims & Ker." This is the report of D. G. Cox, Provincial constable, who endeavoured to serve Mr. McLeod and served Mr. Cromie with a summons.

Mr. Davis: That would be Sims & Kerie.

Mr. Ross: Well, did you get an answer, Mr. Chairman, to your telegram to Mr. McLeod?

The Secretary: I wired from Victoria here on April 16th, 1917, at 5.50 p.m.:—

"Donald McLeod, Foley, Welch & Stewart, Vancouver. You are requested to attend the meeting of the Select Committee *re* Pacific Great Eastern Railway, to be held in the Members' Room, Parliament Buildings, Victoria, at 10 a.m., Tuesday, 17th inst.—(Signed) F. W. ANDERSON, Secretary."

And I asked for proof of delivery by the Telegraph Company, and the Telegraph Company replied in connection with this proof of delivery as follows:—

"Yours of 16th inst. D. McLeod signed Anderson delivered 9.22 this a.m. N. Dwyer signed for same.—(Signed) Vancouver, B.C., April 17th, 1917."

And I might also read this other wire notifying Mr. Welch to attend. I wired from Victoria April 17th, 1917, at 1.55 p.m.:—

"P. Welch, Seattle, Washington. You are commanded by the Select Committee of the Legislature of British Columbia to be present at the meeting to be held in the Members' Room, Parliament Buildings, Victoria, B.C., Wednesday morning, April 18th, 1917, at 10 o'clock.—(Signed) F. W. ANDERSON, Secretary."

And I also asked for proof of delivery of this telegram, and in connection with this proof of delivery I received the following:—

"Yours date P. Welch delivered the care Butler Hotel.—(Signed) Seattle, Washington, April 17th, 15.55."

I presume that is the time.

Mr. Hanes: Well, he received that, did he not? Mr. Welch received that telegram?

Mr. Anderson: Yes, evidently.

Mr. Davis: That does not say so there.

Mr. Shatford: The clerk at the hotel may have signed for it.

The Secretary: He must have been there or the clerk would not have signed for it.

Mr. Davis: As a matter of fact, he never stays at the Butler.

The Secretary: It is just addressed "Seattle, Washington." I did not know the particulars of his address. He might have been staying with friends, which surely might be reasonable.

Mr. Ross: Well, what I want to know is what you can prove with reference to Mr. McLeod—with reference to his movements.

The Chairman: There is nothing about Mr. McLeod there.

Mr. Ross: Well, why shouldn't he be included to show what he knows? Is there any objection to including a reference to his movements and the efforts which have been made to get him?

Mr. Hanes: No.

Mr. Ross: Well, why can't it be done in this report?

Mr. Hanes: Everybody should be included.

The Chairman: There is no reason why you should not make a subsequent motion, but it seems to me that we should now deal with the motion that is before us.

Mr. Ross: I don't know where I got the information from, but I was told, on account of Mr. Taylor's absence and his inability to attend, it was very likely this Committee would have to adjourn for a considerable time.

Mr. Hanes: There is nothing like that, Mr. Ross.

Mr. Ross: Are you proposing to sit right along as usual?

The Chairman: If everybody does not go over to the United States I think we will.

Mr. Pooley: Are you going over?

The Chairman: I have not any lawsuits or coal-mines there.

Mr. Ross: Is there any suggestion of having Mr. McLeod called?

The Chairman: I would suggest that this matter which was dealt with at the last session be put through now, and then let us take up other matters arising this morning. If there is no suggestion to be made with regard to the resolution moved by Mr. Hall, I will put the question. All in favour of the report? (Vote taken.) Carried unanimously.

Mr. Ross: Now, Mr. Chairman, please don't say "unanimously," because I really have not had time to make up my mind.

The Chairman: If you want another show of votes, just say "Aye."

Mr. Ross: No.

The Chairman: Motion carried, Mr. Ross saying "No."

Mr. Ross: I only voted against it to show that I am a member of this Commission and had a mind of my own, anyway.

The Chairman: I do not think anything like that was necessary.

Mr. Ross: I don't say that it was, but I do think you are railroading things along here pretty fast.

The Chairman: I think, for a man who has attended this Committee as much as you have, it is a piece of impertinence; and I want to tell you that you cannot come in here and get away with such cheap talk as that, even if the newspapers are taking it down.

Mr. Ross: I have certain rights on this Committee, even if I am not the Chairman.

The Chairman: What is the next?

Mr. Hanes: Do you suppose that there were any telephone messages or telegrams sent to Mr. Donald McLeod on that day? Would it be worth while finding out, because this lawsuit that he refers to must have come up very suddenly, for he was here just a few days previously.

The Chairman: Well, of course, I do not think the Committee is worried about the lawsuit. The incidents in connection with it are sufficient for an inference on that point.

Mr. Hanes: I think one of the witnesses is here that you summoned.

The Chairman: Is Mr. Cromie here?

Mr. Hanes: Yes.

Mr. Maclean: What is the name of this witness?

Mr. Hanes: Mr. Cromie.

The Chairman: Is Mr. White here this morning?

Mr. Davis: No. Mr. Thomas, who had charge of all matters, owing to the unavoidable absence of Mr. Tate (although I stated that those books would not be produced), thought that Mr. Welch ought to take the responsibility of it, and the only man who could get the books was Mr. White, and Mr. White, I understand, went across to get them, and he is expected to be back here.

The Chairman: With the books?

Mr. Davis: If Mr. Welch lets him produce them.

The Chairman: And he will be back when?

Mr. Davis: Well, to-morrow morning, I understood.

Mr. Ellis: I may say, Mr. Chairman, Mr. Anderson spoke to me about Mr. White yesterday, saying he wanted them to be here at the session this morning, and I told him that Mr. White would have to get the books if the Committee wanted them, and he told me I had better speak to Mr. Taylor; and I spoke to Mr. Taylor, and told him that Mr. White was going over on the boat last night, and I understood from Mr. Taylor, although I might have got it wrong—I understood from Mr. Taylor that until the Committee reported on the question of Mr. Tate there would not be any great amount of evidence taken. However, Mr. White, as I understand, will be back to-morrow morning, anyway.

Mr. Hanes: Well, that was not my understanding with the Committee; I think Mr. White gave this Committee his assurance he would be here.

The Secretary: I think there might be some misunderstanding on that. You told him to get the books. He might not have understood it right at all.

Mr. Hanes: Well, if he is just going over for the books and is coming back to-morrow morning, that is all right; but when we adjourned this sitting he said he would be here at the next sitting.

The Chairman: There is no doubt about that.

The Secretary: I don't think so.

Mr. Hanes: It was very definite.

R. J. CROMIE, witness, called and sworn.

The Chairman: Do you want to examine Mr. Cromie?

Mr. Hanes: Well, he was to produce certain books and documents and cancelled cheques. I think you have a list there.

The Chairman: What is your position, Mr. Cromie? A.—With whom?

Q.—Well, with anybody? A.—I am the secretary-treasurer of several companies.

Q.—Well, anything connected with the Pacific Great Eastern? A.—No, sir.

Q.—Or P. Welch. A.—No, sir.

Q.—For whom do you work? A.—For Mr. Stewart and the Courtenay Condensed Milk Company.

Q.—Mr. J. W. Stewart? A.—Yes.

Q.—Where? A.—Vancouver.

Q.—You are in the office there, are you? A.—Yes, sir.

Q.—Who is in charge of that office? A.—Mr. McLeod.

Q.—Where is he? A.—I could not tell you, sir.

Q.—When did you last see him? A.—On Monday.

Q.—At what hour? Monday was the 16th, wasn't it? A.—About 4 o'clock.

Q.—About 4 o'clock? A.—Yes.

Q.—Where was he then? A.—In the office.

Q.—What was he doing? A.—He was working.

Q.—Who was next to him in that office? A.—Myself.

Q.—Well, what was the last you saw of him? A.—Well, as I said before, he was in the office.

Q.—Well, that was the end of it as far as you are concerned? A.—Yes.

Q.—Well, now, what became of him after that? A.—I could not tell you.

Q.—When did you leave the office? A.—About 6 o'clock.

Q.—Was he still there? A.—He might have been in his inner office.

Q.—Well, now, when he goes away who takes charge of affairs? A.—I do.

Q.—Did you receive any information that he was going away? A.—Yes.

Q.—When? A.—About a week ago I think I received the information.

Q.—What information did you have then? A.—Well, we have a trial coming on in St. Paul.

Q.—When? A.—I don't know that the date has been set for it.

Q.—Well, what did he say about that trial? What did he say about that trial? A.—He did not go into details about it at all. He just simply said he expected that he might be called to St. Paul on this Sims & Kerie trial. He is away a good deal of his time.

Q.—Well, is that all he said about it? A.—Yes, sir.

Q.—Did he say anything more later on? A.—No.

Q.—On Monday, the 16th, did he say anything to you about going away? A.—No, sir.

Q.—So that you left the office at 6 o'clock on Monday not knowing that Mr. McLeod was going away? A.—I knew that he was going away that night.

Q.—Oh, you knew that he was going away that night? A.—Yes.

Q.—How did you know that? A.—Well, as I told you before, he spoke of having to go away, and then he confirmed it on Monday that he was going.

Q.—Well, why didn't you say that before? I asked you if he said anything to you on Monday about his going away and you said no. Now, what did he say? A.—Well, there must have been a misunderstanding.

Q.—What did he say to you on Monday about it? A.—He said he expected to go away that night.

Q.—What time was that? A.—That was in the afternoon.

Q.—What hour? A.—Possibly around 4 o'clock.

Q.—Did Mr. White receive any telegrams that day? A.—Mr. White is in a separate office.

Q.—I beg your pardon; I mean to say Mr. McLeod. A.—I could not tell you that.

Q.—You don't know whether he received any telegrams or not? A.—No, sir; but there are telegrams coming into the office constantly.

Q.—Now, just tell me what he said about going away on Monday afternoon. A.—I have already told you that he had told me about a week previous.

Q.—Now, tell me what he said on Monday afternoon. A.—Well, he said he would be going away on the Sims & Kerle case.

Q.—Is that all he said? A.—Yes; just the ordinary conversation that would take place—that he was going away.

Q.—Did he say when? A.—He said he was going away that night.

Q.—Did he say what information he had received? A.—No.

Q.—Did he tell you when he was coming back? A.—He said he might be back in a week or ten days.

Q.—That was after 4 o'clock that he told you that? A.—Yes.

Q.—How long have you been in that office? A.—I have been with Mr. Stewart thirteen years.

Q.—Thirteen years. Who is in charge of the office now? A.—Well, I am—do you mean while I am away?

Q.—Well, you were in charge until you came over here? A.—Yes, sir.

Q.—Did you bring any books over with you? A.—No, sir.

Q.—Why didn't you? A.—I did not know just what books you wanted.

Q.—You received a subpoena? A.—Yes, sir.

Q.—And you read that subpoena? A.—Yes.

Q.—And the information that was in there? A.—Yes.

Mr. Davis: Have you the subpoena with you? A.—Yes.

Q.—Let me see it. (Witness produces document to counsel.)

The Chairman: What books have you in your office? What is the nature of the books there? A.—Well, I have a vault full of them.

Q.—I say what is the nature of them? A.—Just the ordinary books of different companies.

Q.—What different companies? A.—I should say there are possibly twelve companies.

Q.—What books have you, directly or indirectly, in connection with the Pacific Great Eastern matters? A.—None.

Q.—None? A.—None.

Q.—What books have you of Mr. Stewart's? A.—None.

Q.—None? A.—No; none of his personal books.

Q.—I beg your pardon? A.—None of his personal books.

Q.—Where are they? A.—I would say that he has no personal books of his own.

Q.—He has none? A.—No; just possibly memoranda.

Q.—But no books of account? A.—No, sir.

Q.—No personal ledger? A.—He would possibly have a memorandum, just like you or myself would have, of the assets or liabilities that he might have; but he does not keep an elaborate set of books at all.

Q.—Now, evidence has been given here that certain moneys were drawn out by Mr. Stewart from the Pacific Great Eastern Railway. What books or memorandum of any kind would you have in your office that would show anything in connection with that? A.—I would have none.

Q.—You say you would have none; would there be any in the office? A.—No, there would be none; unless it was a question of Mr. Stewart drawing certain funds, which he would deposit in his personal account.

Q.—What is that again? A.—There would not be anything, unless it would be funds that Mr. Stewart would be drawing from these different contracts that he was interested in, which he would deposit in his personal account.

Q.—Then, you have a record of his personal account? A.—He would have that himself.

Q.—Well, why did you say, unless it would be that? Do you mean by that that there would be a record in your office showing the moneys that Mr. Stewart would draw for his personal account? A.—He would have that.

Q.—Well, is it in your office? A.—No.

Q.—He would not take that over to France with him? A.—No.

Q.—Who would be the custodian of that in his absence? A.—Well, Mr. McLeod has his power of attorney.

Q.—Had Mr. McLeod books of that kind in that office there? A.—As I told you before, there was no elaborate set of books.

Q.—I don't care whether it is elaborate or not; is there anything there? A.—There would be a memorandum of deposits.

Q.—Well, where is that now? A.—Well, we would render Mr. Stewart a monthly statement of his deposits—of the deposits put in his personal account.

Q.—And would you keep a copy of that? A.—The bank would have a copy of it.

Q.—You don't keep a copy yourself? A.—We keep a copy of our bank account.

Q.—Well, I did not ask you that at all. I asked you if you had a copy of that in your office? A.—Yes, we do keep one.

Q.—It is there? How far back do those memoranda run? A.—As long as he had a bank account.

Q.—Have you any of the cheques of Stewart's? A.—No.

Q.—They are not in that office? A.—No.

Q.—They were not there in the custody of Mr. White? A.—No.

Q.—Now, it has been stated before this Committee that there were cheques issued by the Pacific Great Eastern Railway to Mr. Stewart.

Mr. Hanes: By P. Welch.

The Chairman: By P. Welch, was it? Cheques by P. Welch had been turned over to Mr. Stewart, and finally we found these were turned over to Mr. McLeod, his representative. Now, did you see those cheques? A.—Let me see; I could not say definitely.

Q.—Well, why do you hesitate? A.—Because Mr. Stewart is interested in some six or seven different contracts and there are various moneys coming in from these contracts from time to time, and to single any particular one out it is somewhat difficult.

Q.—Well, I may tell you that recently, within the last month or six weeks, these cancelled cheques have been extracted from the file and turned over to Mr. Stewart—not Mr. Stewart, but Mr. McLeod, Mr. Stewart's representative. Do you know anything about it? A.—No.

Q.—Did you know that was done? A.—No.

Q.—Did you know Mr. McLeod had those cheques? A.—No.

Q.—Do you know of any books or documents which would show the disbursements of any moneys by Mr. Stewart? A.—I beg your pardon?

Q.—Do you know of any documents in your office, either there at present, or that were there, that would show the disbursements of any money by Mr. Stewart? A.—Yes.

Q.—What are they? A.—Well, they would be the cheque-book.

Q.—What cheque-book is that? A.—The cheque-book of his personal account.

Q.—Where is that? A.—Mr. McLeod would have that. He had charge of that part of it.

Q.—Would that be in your office? A.—It would be, yes.

Q.—It was there when you left, was it? A.—I don't know. I don't recollect seeing any cheques in the last few days.

Q.—Well, what about the used cheque-book—the stubs; where are they kept? A.—They are kept—Mr. Stewart would have those.

Q.—Well, they would be kept in your office? A.—Yes.

Q.—And they are there now, are they? A.—I would say that they are there.

Q.—Eh? A.—I would say that they are there.

Q.—Can you produce them? A.—If it would be necessary to produce them they would be produced from Mr. Stewart; that is, if there are any of Mr. Stewart's personal cheques there.

Q.—They are drawn on what account—a personal account in the bank? A.—A joint account.

Q.—A joint account? A.—Yes.

Q.—What joint account? A.—Mr. and Mrs. Stewart's.

Mr. Davis: What joint account?

The Chairman: Mr. and Mrs. Stewart's, he said.

Witness: It is the house account.

Mr. Hanes: But there is an account, Mr. Chairman, where this \$763,000 was turned into that was drawn from P. Welch. That, I take it, would be the account.

The Chairman: What is the date of it; can you tell us approximately? A.—No. Mr. White could tell us, but they were issued in different sums.

Mr. Maclean: Yes; it was not a cheque issued in one amount. Mr. Stewart drew out different sums.

The Chairman: Where would the cheques be, if any, of any of that money that was received by Mr. Stewart, amounting in the aggregate to \$700,000-odd, from the Pacific Great Eastern Railway? What account would that be in? Did Mr. Stewart carry that in his household account? A.—No, sir.

Q.—What account did he carry it in? A.—I could not tell you, sir.

Q.—Well, you know, don't you? A.—No.

Q.—How many accounts did Mr. Stewart have? Did he have another personal account? A.—This was the only account that I know of that Mr. Stewart had anything to do with.

Mr. Hall: When you say "this," what do you mean by this? A.—This was a joint account.

The Chairman: And you say that was only a chequing account for the household incidental expenses? A.—And for his personal expenses and Company outfit.

Q.—Company outfit? A.—Yes; investments of the Company.

Q.—Well, would those moneys, then, that have been mentioned, these sums, be deposited in that account? A.—Apparently not.

Q.—When you say apparently not, what do you mean by that? A.—Well, I have not checked up the account for some time, but no sum like that appears in it.

Q.—Eh? A.—No sum like that appears in it.

Q.—Well, I am told now it does not appear in one lump sum, but in different items—spread over a period of how long—two years, Mr. Hanes? Over what period of time would it be?

Mr. Hanes: It would be perhaps over a period since 1914. I don't think the different dates were mentioned, but it is over a period from 1914 or 1915 up to the present.

The Chairman: Can you produce the bank-books which would show whether these sums have been deposited or not? A.—No.

Q.—Why not? A.—Mr. McLeod has Mr. Stewart's power of attorney, and he is my superior.

Q.—Well, Mr. McLeod is attending to a lawsuit now, and you are in charge. Are the bank-books there? A.—Well, I could not produce them without authority from him.

Q.—Well, this Committee is higher authority than Mr. McLeod. They are there, are they? A.—I could find out and let you know.

Q.—Don't you know now? A.—No. When you challenge me that way, I don't know.

Q.—Where have they always been kept? A.—In our office; in the vault.

Q.—And you have access to that vault. A.—Yes.

Q.—Has any one else access to it in Mr. McLeod's absence? A.—Yes; the young girl in the office has.

Q.—Has she the combination? A.—Yes, sir.

Q.—You and she are the only ones? A.—No; there is another subsidiary firm that we have there that has access to it also.

Mr. Hanes: I suppose, if those books are there, you would produce them, as you are in charge? If you went back and looked for those books you would know whether they were there or whether they were taken away by somebody. Would you not? A.—Yes.

Mr. Hall: What account is it that Mr. McLeod signs "per power of attorney"? A.—This joint account also.

Q.—What is that? A.—This joint account.

Q.—But you said also? A.—You said his power of attorney, and I say his joint account.

Q.—Did you use the word "also"? A.—Possibly I did.

Q.—There are several accounts, are there? A.—You mentioned other accounts.

Q.—Well, are there? A.—Not to my knowledge.

Q.—Well, what account is it—you had better tell me in your own words what account it is that Mr. McLeod signs as power of attorney for Mr. Stewart. A.—Mr. and Mrs. Stewart's joint account.

Q.—Is there any other? A.—Not that I know of.

Q.—And how does he sign? A.—He signs J. W. Stewart, per D. McLeod.

Q.—And, so far as the cheques appear, there would be no indication of there being a joint account? A.—No; except that Mrs. Stewart can also cheque against that account.

Q.—But I mean, so far as his cheques appear, there would be nothing to indicate that it was a joint account? A.—No, sir.

The Chairman: They did not sign jointly? A.—No.

Mr. Hall: What bank is that account in? A.—The Union Bank.

Q.—Any other bank or banks? A.—Not that I know of.

Q.—Well, you would know, wouldn't you? A.—I would.

Q.—And there are no others? A.—Not to my knowledge.

Q.—You have had some discussions with Mr. McLeod about this Committee—about this investigation? A.—Yes, sir.

Q.—And he had expected to be called? A.—I don't know that he expressed himself that way.

Q.—Well, but it was considered that he might be called? A.—He did not express himself on it.

Q.—Well, it was discussed whether he would be called or not? A.—I don't know whether it was particularly.

Q.—Well, it was mentioned? A.—Yes.

Q.—It was mentioned. A.—Yes.

Q.—And he had that telegram from the Committee; and that was mentioned with you as well, I take it? A.—No, sir.

Q.—Are you quite sure? A.—Yes.

The Chairman: Just a minute. Did Mr. McLeod receive a telegram sent by the Committee? A.—I don't know whether he received it or not.

Mr. Hanes: Who did receive it? A.—Well, I say I don't know whether he received a telegram from this Committee.

Q.—I am asking who did receive the telegram which was sent by Mr. Anderson, the secretary of this Committee, to Mr. McLeod? A.—I have just told you.

Q.—Well, I have asked you the question. A.—Well, ask me again.

Q.—Who did receive the telegram in your office which was sent by Mr. Anderson, the Secretary of this Committee? A.—I don't know.

Mr. Davis: Do you know whether such a telegram was received or not? A.—No. By Mr. McLeod?

The Chairman: By anybody. A.—No; except that in listening to the reply, the fact that a wire came in is evident by that wire; but that was my first intimation of it when it was told me by my stenographer.

Q.—The person referred to in the C.P.R. reply is your stenographer? A.—Yes.

Mr. Hall: I move that Mr. Cromie be directed to produce to this Committee all books of account containing any entries of Mr. J. W. Stewart, and all cheque-stubs and cancelled cheques from the date that this work was commenced, from 1912 to the present time—

Mr. Hanes: From April—

Mr. Hall: From 1912 to the present time; and that personal memorandum which Mr. Cromie referred to showing a summary of moneys paid in and out; that be produced.

The Chairman: And the bank-book.

Mr. Hall: And the bank-book; that those be produced. Could you have them here to-morrow morning? A.—I don't know whether they would be available or not. I will go over and see if they are there, if you direct me to.

Q.—Well, we are directing you now, and it is simply a question of arranging the time. A.—I could save time by phoning to see if they are there or not.

Mr. Hanes: I think it would be better for Mr. Cromie to go right over and come back and report. Go over on the afternoon boat and come back for to-morrow.

The Chairman: That was a peculiar remark you made, Mr. Cromie. Have you any reason to doubt whether they are there or not? A.—Well, Mr. McLeod has charge of those books.

Q.—Did he require those for his lawsuit? A.—He might have.

Q.—What do you mean by that answer? You know we are not playing at this thing. A.—I appreciate that.

Q.—What do you mean by that remark—he might have? A.—He might have required them in connection with the lawsuit.

Q.—You think that? Do you want us to accept that as a frank statement from you? A.—Yes.

Q.—What is this lawsuit about? A.—It is in connection with contracts.

Q.—What contracts? A.—Well, sub-contractors. Messrs. Sims, Kerle & Co. *vs.* Foley, Welch & Stewart; and Foley Bros. are also interested.

Q.—And you think Mr. McLeod might have occasion to take all Mr. Stewart's cheques and vouchers and bank-books of 1912 up to the present time over there with him because of some lawsuit with some sub-contractor? A.—Possibly.

Q.—Now, Mr. Cromie, I cannot accept that statement.

Mr. Davis: He has made it twice and it is under oath.

The Chairman: I say I cannot accept it.

Mr. Davis: It is a matter of comment.

The Chairman: I am making the comment. I am stating this to the witness. It is a very serious thing for him to tell us a thing like that.

Mr. Hall: You saw Mr. McLeod on Monday at 4 o'clock? A.—Yes.

Q.—And you were continuing your work in the office until 6 o'clock? A.—Yes, sir.

Q.—That same day? A.—Yes.

Q.—No books were taken out of the office between 4 and 6, were there? A.—No, not to my knowledge.

Q.—Well, you would know it if they were. You are there in the office? A.—Yes; but I am in and out of the office, and they might have been taken out.

Q.—Well, they could not be taken out between 4 and 6 without your knowledge? A.—They possibly couldn't—if you say that.

Q.—I am asking you for your statement. Just answer it any way you like.

Mr. Yorston: You don't suggest that Mr. McLeod would watch an opportunity when you were not there and get the books out? A.—No.

Mr. Hall: As a matter of fact, it would be quite a job to collect all the books, wouldn't it? A.—No. Mr. Stewart's personal books are limited to his bank account, and he ought to be entitled to have the say with regard to his bank account.

The Chairman: What is that? A.—He ought to be entitled to have the say with regard to his bank account.

Q.—We are not seeking any information along those lines from you. A.—Thank you.

Mr. Hall: Well, there was this personal ledger that you have referred to, or memorandum-book. A.—Yes, a memorandum-book.

Q.—Well, how many of those were there, and how big are they? A.—There would be possibly—there would be possibly a series of monthly statements of Mr. Stewart's and members of Foley, Welch & Stewart's. Their personal accounts are kept by the different firms in which they are interested.

Q.—Well, still they must have a collection of their own—of these memorandum-books which you have referred to? A.—Possibly.

Q.—Well, now, is there a memorandum-book or isn't there? A.—It is a loose-leaf ledger—a statement.

Q.—A loose-leaf ledger? A.—Yes.

Q.—And how many of those are there? A.—Just one.

Q.—How big is it? A.—It is a very small thing.

Q.—When did you last see it? A.—I should say it would be within the last ten days.

Q.—Did you see it on Monday? A.—I could not say whether I did or not. There were very few entries to make in it. They are made generally at the end of each month.

Q.—Well, I take it, in addition to this loose-leaf ledger that you have referred to—a small loose-leaf ledger—there is a summary made up of these balance-sheets? A.—Each month end I send a statement of the cheques to Mr. Stewart.

Q.—And do you keep copies of those statements? A.—Yes.

Q.—You have those? A.—They are in the office.

Q.—Well, that is another book, then, that we should have produced. Do you think that Mr. McLeod could take that and those cancelled cheques and memorandum-book all out without your knowledge? A.—Oh, yes, very easily.

Q.—Between 4 and 6? A.—Yes.

Q.—But do you think he has taken them? A.—I could not say.

Mr. Davis: He did not say between 4 and 6, Mr. Hall.

Mr. Hall: What time did he go away? What time in the ordinary course would he go away from the office? A.—Around 6 o'clock.

Q.—And what time does the train leave, or the boat? A.—Well, I don't know; there are trains running out of Vancouver all day.

Q.—And he might have gone a number of different ways? A.—Yes.

Q.—You don't know which one he went on? A.—No.

Q.—Which ticket did he take? Which did he buy? A.—I don't know. I could not tell you that.

Mr. Hanes: Well, would he take those books out of there without telling you? A.—Possibly he might have.

Q.—And as you are left in charge, you would go back there and find them missing, and you would not know whether he took them or not? A.—Yes.

Q.—Do you think that he would take them out and not tell you? A.—Yes, he might.

Q.—And how would you know in your absence whether the books were taken when you were in charge or not, or would you know? A.—Possibly I would not know.

The Chairman: I think it would be well at the present time now to put the motion.

Mr. Ross: May I put a question or two to the witness? Mr. Cromie, without going into the particulars of that bank account referred to, is it the only one that shows Mr. Stewart's transactions, or all his transactions? A.—It is the only one as far as I know.

Q.—And it shows besides any money he would receive from the Pacific Great Eastern Railway, it would show money that he received from other sources. A.—From all sources.

Q.—It would also show payments that he made to his private funds? A.—Yes.

Q.—And if he paid any money to campaign funds, would it show that? A.—Yes.

Q.—And if it showed his private investments, it would show what company he was a shareholder in if he had paid for his stock? A.—Yes.

Q.—And if he was a shareholder in the *Sun* newspaper, that account would disclose it? A.—Yes.

Mr. Hall: You say that account would disclose it? A.—That account represents all Mr. Stewart's investments.

Q.—And it shows the details of what these investments are, as Mr. Ross's statement was? A.—It is a record of it.

Q.—He keeps a record of them? Well, possibly I can improve that resolution a bit.

Mr. Hanes: Just one moment; pardon me an instant. Foley, Welch & Stewart have an agreement with the Government and also with the Railway Company regarding the construction. Now, that agreement must be on file in that office of Foley, Welch & Stewart, and there must be

other agreements of a like nature, and I wish you would include the production of these papers and documents in your resolution.

Mr. Hall: I move that Mr. Cromie be directed to produce at the sittings of this Committee to be held at 10 o'clock to-morrow morning all cancelled cheques, all cheque-stubs, the record of Mr. Stewart's investments that he has just referred to, and that memorandum-book which was referred to by Mr. Comie; that ledger referred to by him; the bank-book, and any and every other book or books showing investments, or showing the receipt and disposition of moneys in any way relating to the Pacific Great Eastern Railway.

The Chairman: I second it.

Mr. Hall: And I think Mr. Hanes wanted to include some agreements.

Mr. Hanes: There must be some.

Mr. Hall: And any agreement or agreements of any nature or kind whatsoever between Mr. Stewart and Foley, Welch & Stewart, or between Mr. Stewart and the Pacific Great Eastern Railway Company, or between Foley, Welch & Stewart and the Pacific Great Eastern Railway Company.

Mr. Davis: Well, are there any such agreements, Mr. Cromie? A.—No, there are no agreements.

Mr. Davis: You might as well clear that up just now.

Mr. Hanes: Will you add on to that now that Mr. Cromie be directed to appear before the Committee to-morrow morning?

Mr. Hall: I included that in the first part—that he be directed to appear.

The Chairman: Is that motion satisfactory?

Mr. Ross: What about changing the language of that resolution so as to include the language which was included in the McLeod resolution, providing "all cheques, vouchers, statements, books, accounts, memoranda, writings, letters, or telegrams whatsoever in any manner respecting the scope of the said inquiry," because if there is anything said there about the political payments—

Mr. Hall: I will be only too happy to add that on.

The Chairman: This witness has already a subpoena with that in it—with every word of that in it.

Mr. Ross: Well, what is the difficulty, then?

Mr. Hall: He has come here without them now.

The Chairman: You might add a rider—

Mr. Hall: Have you brought anything with you? A.—No, sir.

Mr. Hall: I will add on to my motion, "and all material referred to in your subpoena."

Mr. Davis: That subpoena is here. You might as well look at it. I was reading the subpoena, and it only refers to the matters in connection with the construction of the Pacific Great Eastern, and the matters between the Pacific Great Eastern and these various parties.

The Chairman: No, Mr. Davis, pardon me; you will read the authority set out there, it shows what the authority of this Committee is. It is set out in this: "that the Select Committee have authority to inquire into all matters directly or indirectly relating to the construction of the Pacific Great Eastern Railway Company, and the said Committee are hereby empowered to take the evidence of Mr. D'Arcy Tate, and any other person or persons in any matter directly or indirectly connected with the Pacific Great Eastern Railway Company, or with Foley, Welch & Stewart"—and these various parties—"or any other person whatsoever to give any and all evidence, to produce any and all papers and vouchers showing the disposition of the moneys for campaign or political purposes, or for the purpose of obtaining charters, advantages, or benefits, or moneys, or influence"—

Mr. Davis: You are quite right; I beg your pardon—I did not read that part of it.

Mr. Farris (Chairman): I will finish this: "Or for the purpose of obtaining charters, advantages, or benefits, or moneys, or influence in respect of and in support of the Pacific Great Eastern Railway, its properties or enterprises, or contract or undertakings." And then the witness is directed to produce all books of account, papers, contracts, deeds, vouchers, documents, letters, and writings in his possession or power relating to the subject-matters aforesaid.

Mr. Hanes: Now, why didn't you bring over some of these documents that are referred to in that summons, as directed? A.—My evidence there will tell you why—that Mr. McLeod is my superior in that office.

Q.—But that subpoena was directed to you. A.—Just wait until I get through. He is my superior in the office, and he would have the custody of all the books.

Q.—But you received this summons yourself from the Committee, and I am asking you why you didn't bring over all these documents that are mentioned in this summons, that were there when you came over here? A.—I would not bring them over without getting authority for it.

The Chairman: You don't take your orders from Mr. McLeod when he is not there? A.—I beg your pardon?

Q.—You are in charge of that office when he is not there? A.—Yes, sir.

Q.—And you were in charge of the office at the time you got this subpoena? A.—Yes.

Mr. Hall: Do I take it that you intend that same remark to apply all through—that you will not produce those although you are now directed by the Committee expressly so to do, Mr. Cromie? A.—I would like to get in touch with Mr. McLeod before I did.

The Chairman: What is that?

Mr. Hall: And if Mr. McLeod says not to bring them, you won't bring them; is that the position you take? A.—Yes, that is correct.

Mr. Hanes: The witness says now he won't produce these until he gets in touch with Mr. McLeod, and he won't produce them then if he says not to.

Mr. Maclean: Hadn't we better wait until the trouble arises?

Mr. Hanes: I will ask you this: If you go back to Vancouver to produce those documents and papers, is it your intention to produce them of your own accord? Are you going to bring them back with you? A.—I think we could possibly save time by my making the position more clear in this way: Mr. McLeod has Mr. Stewart's power of attorney, and has charge of all his books; and he might have those books with him.

Q.—Now, I ask you a direct question, and I want you to answer that question. If you go back to Vancouver, as directed by this Committee, is it your intention to bring over all the documents asked for in this resolution? A.—Yes, sir.

Q.—And you will do that? A.—Yes, if they are there.

Q.—You will do that? A.—Yes.

The Chairman: In any event, you will be required to come back yourself to-morrow morning. A.—Yes.

Q.—You understand that? A.—Yes.

Q.—I think this resolution has not been put yet.

Mr. Davis: I would like to ask Mr. Cromie a question first. So far as your knowledge goes—just follow me closely as to this; so far as your knowledge goes, are there any papers or documents of any sort or description which you know of in the office in connection with the following matters of J. W. Stewart's: (1.) Relating to the construction of the Pacific Great Eastern Railway and P. Welch? A.—No, sir.

Q.—Or between P. Welch and any of the sub-contractors or stationmen doing work, or supplying material under the contract of P. Welch and the Railway Company? A.—No, sir.

Q.—Or between any sub-contractor and stationman working for such sub-contractor? A.—No, sir.

Q.—Or showing the relations between the Railway Company and any other person in these personal things of Stewart that you are asked to produce? A.—The Railway Company—with reference to the Pacific Great Eastern Railway?

Q.—Yes. A.—No, none.

Q.—Or showing the relations existing between P. Welch, contractor, and any person in connection with the supply of the labour or material in connection with the construction of that railway? A.—No, sir.

Q.—Or showing the disposition of any moneys for campaign and political purposes? A.—No, sir.

Q.—Or showing any moneys expended for the purpose of obtaining charters, advantages, or benefits, or moneys, or influence in respect of and in support of the Pacific Great Eastern Railway, its properties or enterprises, or contract or undertakings? A.—No, sir.

Q.—That is all. I will now file this subpoena as an exhibit.

Mr. Hall: Didn't I understand you to reply to Mr. Ross that those books would show if there were any contributions to campaign funds or for political purposes? You remember Mr. Ross asked you that question across the table, and you said yes; isn't that correct? A.—Yes.

Mr. Davis: Are there any such as far as you know? A.—No, sir. That would only refer to Mr. Stewart's personal outlay.

Q.—What exhibit will that be?

The Secretary: Exhibit 222.

(Subpœna marked as Exhibit 222.)

Mr. Maclean: What is the date of it?

The Secretary: Victoria, April 17th, 1917.

The Chairman: You have heard the motion. Is there any discussion on the motion? Question put. Motion carried. I take it that that was carried without any dissenting vote.

Mr. Hanes: Mr. Cromie, did you cash any cheques for Mr. Stewart for any amount of any size? A.—Yes.

Q.—And for any large amounts? A.—Yes; for thirteen years I have been cashing them.

Q.—And did you draw out any cash in the last four years for any very large sums of money?

A.—I could not answer that offhand: They were for various amounts.

Q.—Well, did you in any way turn any of this cash over from any of the cheques for any political or campaign purpose, or for any purpose in connection with the railway? A.—No, sir. The cash would be simply got from the bank by me and turned over to Mr. Stewart.

Q.—You did not deliver any of it yourself to any one, except to Mr. Stewart? A.—No, sir.

Q.—Well, when you received this subpœna, who did you go to see about it, to see what you should do? A.—I did not see anybody.

Q.—Now, just to clear up this one point. We were told here by Mr. White that some \$763,000 had been paid to Mr. Stewart by cheque. Do you understand by this resolution that is going through that the books that we have asked for includes the books which will show the receipt of that money and the payment out of that money, if it is paid out? A.—Yes. I might add to that, though, that no books that I have any knowledge of contain such amounts.

Mr. Davis: I would like to ask you this, Mr. Cromie. You said "Yes" to that last question. Would it show the cheques that were made out payable to other parties than J. W. Stewart and charged to his account in the P.G.E.? For instance, J. W. Stewart issued a cheque—at least, a cheque was issued from P. Welch which would be included in this \$763,000; would that money go into or be deposited to this personal account of J. W. Stewart? You said that the whole of this \$763,000 (as I understood your answer) would appear as going into J. W. Stewart's personal account? A.—You understood Mr. Hanes's question.

Q.—Possibly I did. What did you understand by it; and we will clear it up? A.—He asked me, just to clear it up, if I had any knowledge of an account of that size going into his account, and my answer to that was, to my knowledge no such amount went into his personal account.

Q.—I don't think that that was the question of Mr. Hanes, and I don't think that was your answer. You added that statement afterwards; but I think you said to Mr. Hanes that this account would show this receipt of \$763,000, although you did not think there was that much went into it. But what I am getting at is, if a cheque were issued by P. Welch to some one—well, take myself as an instance—on the instructions of J. W. Stewart, that cheque would then be charged to J. W. Stewart in P. Welch's account? A.—Yes, that is right; but that amount would not go into J. W. Stewart's deposit.

Mr. Pooley: It would not appear in his ledger—in J. W. Stewart's ledger? A.—No.

Mr. Davis: It would not appear in his books at all? A.—No.

The Chairman: Now, Mr. Cromie, in addition to the subpœna that has been served upon you, you have heard the resolution of this Committee, passed by this Committee, directing you in connection with those documents to produce them here; you have heard that resolution? A.—Yes.

Q.—And you understand that that is directed to you? A.—Yes.

Q.—You also understand that this subpœna which was served upon you requires your attendance from day to day, and that you will be required; whether or not you can produce those books, to attend at the session to-morrow—at what is the hour?

Mr. Hanes: 10 o'clock.

The Chairman: You understand that? A.—Yes. I would be very glad if you could put your request in such shape so that I could be working in the Vancouver office, as there are some little companies that I have to look after there.

Q.—Well, we will want you to-morrow morning, whatever the result of the inquiry into the books is—you will be needed here to-morrow morning.

Mr. Pooley: And the Committee may need him for a day or so.

Mr. Davis: I suppose there is no objection to Mr. Cromie having a copy of that resolution. It is a pretty long one. I certainly cannot carry it in my head.

The Chairman: Mrs. Blygh will strike it off for him.

Mr. Hanes: When did you get this subpoena; was it at 7 o'clock last evening? A.—Yes.

Q.—Was Mr. McLeod in the city then? A.—I could not tell you.

Q.—Did you see him after you received this subpoena? A.—No, sir.

Q.—Now what time did he leave Vancouver? A.—I could not tell you that.

Q.—Was it by train or by boat? A.—I could not tell you that.

Mr. Hall: I think I would move further that Mr. Cromie be directed to produce all cheques—all the cheques that have been referred to by Mr. White in his evidence—namely, the cheques of P. Welch to or on account of J. W. Stewart, and with respect to which evidence has already been given that they were delivered by Mr. White to Mr. McLeod on Mr. Stewart's behalf.

The Chairman: Is that motion seconded?

Mr. Hanes: Yes.

The Chairman: I suppose there is no discussion, is there? All in favour say "Aye." Motion carried.

R. D. THOMAS recalled.

Mr. Hall: Were you resworn, Mr. Thomas? A.—Yes; yesterday.

Q.—You are aware, Mr. Thomas, of the resolution which has been passed this morning, which recorded your refusal to give evidence, to the House? A.—Yes.

Q.—And, of course, it is open to you to change your mind, and give that information which is desired, if you now wish to do so. A.—I have not changed my mind.

Q.—And you persist in your refusal? A.—I do.

Q.—Some time ago evidence was given of certain amounts paid to solicitors in connection with the legal work of the Pacific Great Eastern Railway? A.—Yes.

Q.—That is correct? A.—Yes.

Q.—Those names all appear in the books of the Company? A.—Yes.

Q.—Will you let us know the names of those solicitors, and the amounts received by each? A.—I would have to refer to the books, of course.

Q.—Certainly.

The Chairman: How long will that take you? A.—It will take a very long time to find the amount of each of them, and I will have to charge my memory a good deal in order to get the names of the various solicitors, some of whom were unknown to me; and their names do not readily come to my mind.

Mr. Hall: It was not the small amounts that I was particularly concerned about.

Witness: The books are here, though.

The Chairman suggested that a memo. containing the information should be made up.

The Chairman: Where will you be this afternoon? A.—In the city; in my office in the city.

Q.—If the House request your attendance, you will be available at your office? A.—Yes.

Mr. Hanes: Have you had any telephone communication with Mr. Tate? A.—No.

Q.—Since he left the city? A.—No.

Q.—Or any telegram? A.—I had a telegram from him.

The Chairman: From where? A.—From Seattle.

Q.—When was that? A.—I received it yesterday morning.

Q.—Was there any intimation in that as to his intention about staying there or coming back? A.—Yes; he asked me to wire him to St. Paul.

Mr. Hanes: I thought he went over to look at a coal-mine? A.—So he told me when he left.

Q.—So he told you when he left? A.—Yes.

Q.—Did you know whether that referred to the State of Washington or the East? A.—His coal-mine, as I said yesterday, the one in which he is interested largely, or owns, is between Seattle and Tacoma.

Q.—Then, if he has looked that over on this trip, the St. Paul trip would be some other business, naturally, than looking over a coal-mine, wouldn't it? A.—I think so.

The Chairman: Did you get any intimation as to the business that would take him to St. Paul? A.—No; he just asked me to wire him fully, care of Foley Bros., or care of the firm at St. Paul; I have not wired him yet. I didn't think he would be there yet.

Mr. Hall: I think I have asked you for certain other cheques, a large amount, on which cash had been obtained by you from the bank? A.—Yes; I find there are two. One dated 6th March, 1914, made payable to myself for \$20,200; I received cash for that.

Mr. Ross: What was the date? A.—March 6th.

Q.—What year? A.—1914; \$20,200. The next is dated March 25th, made payable to the order of D'Arcy Tate, \$5,000. I see that both Mr. Tate and I have endorsed them, so, I presume, I have no doubt at all that I drew the cash there as well. These were payments on account of the Development Company. The first amount of \$20,200 was retired on the 27th by bill collectable No. 22, made against the Development Company; and the second retired April 18th by bill collectable 54, made against the Development Company.

Q.—What did you do with the money after you got it? First of all, deal with the \$20,200; I take it that you are quite clear about that? A.—\$20,200.

Q.—\$20,200? A.—I am not sure whether I personally disbursed that, or whether I handed it to Mr. Tate. I rather think this was paid on account of Indian reserves at Squamish, paid for the Development Company account. I rather think I handed the amount—I think I counted out the individual amounts, and handed the cash to Mr. Tate, and he delivered it in my presence to the Indians.

Q.—Where were they? A.—In Mr. Tate's room at the hotel; this was while he was confined to his room there.

Q.—You are quite sure of that, are you? A.—Oh, yes.

Q.—That is the \$20,200? A.—Yes.

Q.—And the \$5,000? A.—The \$5,000 would be paid in cash to Mr. Tate himself. I have no recollection at all what it was for. I presume it was made on account of the Development Company; it was incidental to some Development Company purchase or other matter. I don't think I handled the disbursement of that.

Q.—Would that money come back? A.—Yes.

Q.—Was that paid back? A.—The entries appearing in the cash-book retired, \$20,200, on the 27th of April; \$5,000 retired on the 18th of April.

Q.—I presume you have the vouchers showing the payments to the Indians? A.—They are already filed with the Committee—oh, no, the vouchers—that would mean Development Company matters; I would not have them; they would be turned over; I presume Mr. Tate would send them to Vancouver.

Q.—So you would not have the vouchers for the payments to the Indians of the Pacific Great Eastern, of the Railroad Company's property? A.—No; the ordinary procedure would be for me to attach those vouchers to my bills collectable against the Development Company, so that they would see that it was sent in for payment.

The Chairman: Do you know where Mr. D'Arcy Tate keeps his personal bank account? A.—He has several bank accounts. The account that he issues his general cheques on is in the Bank of Montreal; but I noticed around the office—his stenographer's office looked after his bank account—that he has or did have accounts in the Imperial Bank of Canada, and in the Bank of Nova Scotia, and in the Bank of Montreal.

Q.—It is the campaign funds that I refer to; what account was that kept in? A.—I don't know.

Q.—In what bank? A.—I don't know.

Q.—Do you know any of the amounts at all involved in these contributions? A.—Well, my recollection is not clear on the amount; but he certainly did state the amounts, the individual amounts to me.

Q.—Well, I say, do you recall any of them? A.—As amounts—well, that is a matter that I do not intend to go into. Mr. Farris; but to make it very clear, Mr. Tate did tell me certain amounts; I didn't charge my memory with the amounts paid to so-and-so and so-and-so; he mentioned several large amounts, and mentioned the names of several parties.

Q.—I ask you how large the amounts were distributed for campaign purposes? A.—I would prefer not to answer that.

Q.—We would prefer that you should. A.—Well, I regret that I am unable to comply.
Mr. Farris.

Mr. Hanes: They were quite large amounts, some of them? A.—To me they were large.

The Chairman: Where will those cheques be now, Mr. Thomas? A.—It is quite possible that all his cheques are still in his desk. I have never handled his private cheques; but I have seen cheques lying loosely around his desk, because I have access to his desk.

Q.—Of course, campaign cheques would not be lying around in his desk? A.—Well, I don't know the campaign cheques.

Q.—Well, I mean, where would such cheques be filed by Mr. Tate? A.—I believe that Mr. Tate's cheques, unless they are at his house, are in his desk at the office; all his cancelled cheques.

Q.—Who has access to them? A.—Any one in the office; I have access to his desk in the office.

Q.—Will you produce them? A.—Well, I would not like to say whether his bank-books are still there or not; he usually keeps them loosely in his desk.

Q.—What books does he keep there in the office—what books of account, ledgers, or cash-books? A.—No, I don't know; I have never handled his private matters, except when he was sick, and I have been at the hotel, or at Sol Duc, when I did some business for him; but I have never taken the least interest in his private affairs; and his bank-books, while I have seen them lying around, I have never had the curiosity to look at them, but occasionally he would ask me to check up a matter of interest.

Q.—When he was going away this time, you would know whether he cleared up these things, would you not? A.—I know in his place I should take away anything that I didn't want seen. I don't know what he did.

Q.—Do you know whether he did or not? A.—No, I don't.

Q.—I say, it would seem to me, with his office right adjoining yours—— A.—Yes.

Q.—That you would know, as a matter of fact, whether he did that in this case or not? A.—Oh, no, no; I know, of course, he never kept any elaborate—I am using Mr. Cromie's word—he kept no elaborate books of account, as an accountant would keep; but he must have kept some memos. and figures.

Q.—Were these campaign funds paid in cheques or in cash? A.—I know nothing about that.

The Chairman: I have no further questions; has any member of the Committee? If there is nothing further, we had better adjourn to 10 o'clock to-morrow.

The Chairman (to witness): You will be in attendance again to-morrow morning?

Witness: I will be here to-morrow at 10.

Inquiry adjourned to 10 a.m. of the following day, Thursday, April 19th, 1917.

TWENTY-SEVENTH SESSION.

THURSDAY, April 19th, 1917.

The Committee of Inquiry herein met at 10 a.m. pursuant to the adjournment of April 18th, 1917.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, L. W. Shattford, W. R. Ross, and R. H. Pooley; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway Company; Messrs. E. P. Davis, K.C., and J. N. Ellis, appearing as counsel for Messrs. Foley, Welch & Stewart.

The Chairman: Is Mr. Cromie here?

R. J. CROMIE, witness (continued).

The Chairman: Well, Mr. Cromie, did you go to Vancouver yesterday? A.—Yes.

Q.—Have you got the books? A.—I found none there.

Q.—Or any documents? A.—No, sir.

Q.—Did you find out what became of them? A.—No, sir.

Q.—Did you make inquiries? A.—No, sir.

Q.—Who was there? A.—No one.

Q.—There was no one there in the office? A.—No.

Q.—Was the stenographer not there? A.—No; you see, I got in on the late boat.

Q.—And where did you look for them? A.—I looked in the place where they are usually kept.

Q.—And nothing there? A.—No, sir.

Q.—Have you any idea where they are? A.—No.

Q.—Is there no suggestion at all that you can give us? A.—No.

Q.—Well, do you suggest the place has been rifled or robbed or anything? A.—Well—

Q.—You see, you are the man who is in charge of these rooms. Now, when you go into your office and find that documents which are supposed to be there are gone, what is the explanation? A.—Well, Mr. McLeod and myself are the only ones who really have the care of the books, or who would take the books away.

Q.—Well, do you suggest Mr. McLeod must have taken the books? A.—Possibly he has.

Q.—Have you notified the police? A.—No.

Q.—Well, I say, is there any idea or suspicion in your mind that anybody other than Mr. McLeod has taken those documents? A.—No.

Q.—You are satisfied Mr. McLeod took them? A.—I would have to feel that way.

Q.—Have you heard any more of Mr. McLeod since you left here? A.—No.

Q.—Now, that refers to all the documents that you were asked to produce here, does it? A.—Yes, sir.

Q.—Is there any other question by any member?

Mr. Hall: Well, I think that is most specific.

Mr. Shatford: Have you a safe in your office, or a vault? A.—A vault.

Q.—Was it locked when you left? A.—Yes; but it is opened every morning.

Q.—I mean on Tuesday night—was it locked on Tuesday night? A.—Oh, yes.

Q.—Did you lock it? A.—I don't recollect whether I locked it or not. The last one out always locks it.

Q.—And who has the combination? A.—There are four parties who have the combination to the vault.

Q.—Who are they? A.—Mr. McLeod and myself and the stenographer and Mr. Eastabrook.

Q.—Well, then, either one of the three might have taken the books, and not necessarily Mr. McLeod? A.—No.

Q.—Well, did you inquire of the stenographer? A.—No, I did not.

Q.—Or Mr. Eastabrook? A.—No; he was not there.

Mr. Pooley: He was not there? A.—No.

Mr. Shatford: Well, I think it would be well for you to get in touch with them. Are they still in Vancouver? A.—Well, I assume that they certainly would not take the liberty of removing those books without my knowledge.

Mr. Hanes: You could issue a summons to them to come over here and state whether they took them or not. That would clear up that matter.

The Chairman: Yes, I think that should be done.

Mr. Hanes: Or to any one else who had access to the office.

The Chairman: If that is satisfactory to the Committee there will be a motion put.

Mr. Ross: Are those the only clerks who worked there during the day? A.—Yes.

Mr. Hanes: I will move that.

The Chairman: Have you got the names of those parties? A.—Yes; Miss N. Dwyer.

Q.—And the other? A.—Estabrook.

Q.—What is his name? A.—E. A.

Mr. Hall: Mr. Cromie, you were asked to produce, as you know, the cancelled cheques. There must have been thousands of those. A.—Not thousands.

Q.—Well, say hundreds? A.—Possibly.

Q.—A very great many during this period? A.—Possibly; yes.

Q.—Please be definite—yes. A.—Yes.

Q.—And where were they kept? A.—They were kept in Mr. Stewart's room.

Q.—In what? A.—In the filing-case that was there.

Q.—Did you look in that filing-case? A.—Yes.

Q.—And having looked in that filing-case, you swear positively that those cancelled cheques have been taken away? A.—Yes, sir.

Q.—Now as to the cheque-stubs; where were they kept? A.—They were kept in the same case.

Q.—You looked definitely for those? A.—Yes.

Q.—What is that? A.—Yes, sir.

Q.—And you swear positively that they are not there? A.—I have already sworn it.

Q.—Well, I would like to be precise in matters of this kind. A.—Well, I have every respect for my oath, Mr. Hall.

Q.—Well, the point, Mr. Cromie, is that some time we overlook these things. I understand that you did not take a memorandum of these various matters that you were to look up? A.—No.

Q.—Now, that memorandum-book—where was that kept? A.—It was not a memorandum-book.

Q.—Well, that was your expression yesterday. A.—It was a loose-leaf—a loose-leaf ledger.

Q.—And where was that kept? A.—It was kept in the vault.

Q.—And you specifically looked for that, you claim? A.—Yes.

Q.—And the bank-book, it was kept where? A.—Mr. McLeod keeps that.

Q.—Where? A.—In his desk.

Q.—Did you look in his desk for it? A.—I looked around to see if it was there.

Q.—And didn't you know that these were gone when you gave your evidence here yesterday. A.—No.

Q.—You thought they were? A.—Perhaps in my evidence yesterday I did not make it clear, that some four or five days ago Mr. McLeod had those books and was working on them; he said that he might need all those books.

Q.—Well, that is not quite answering my question. When you gave evidence here yesterday, didn't you pretty well understand that those books were not there then? A.—Yes.

The Chairman: What did you base that on? A.—On my talk with Mr. McLeod.

Q.—What did he say? A.—I will repeat it—that he said that he might require to take those books with him—all the personal books that Mr. Stewart had; he would not care to leave them in his absence.

Mr. Hall: Now, you just said you had some respect for your oath, Mr. Cromie? A.—Yes.

Q.—What else was the conversation you had about those books? Why were they taken away? A.—Well, I presume I did not know definitely that they were taken away until I went over.

The Chairman: That is not what you were asked. A.—Well, that is what I answered.

Mr. Hall: Just read the question to him again.

Q.—What else was the conversation about those books? Why were they taken away? A.—Well, I presume I did not know definitely that they were taken away until I went over."

The Chairman: You see that is an evasion of the question.

Witness: Well, I could not give any definite reason for their being taken away.

Mr. Hall: Well, what conclusion do you come to in your own mind about it? You see, you objected to my suggesting you did not have respect for your oath. Just tell us about that. A.—What is the question?

Q.—First of all, why were those books taken away? A.—I could not tell you.

Q.—Well, what took place in the course of that conversation which led you to believe they were taken away? A.—Well, I repeat that Mr. McLeod said that he might require those books.

Q.—Yes. Anything else? A.—Nothing that I can think of.

Q.—You are still respecting that oath? A.—Yes.

Q.—Now, what conclusion did you come to as to what was the reason that those books were taken away? A.—Well, being Mr. Stewart's personal books—strictly personal—I presume Mr. McLeod would want to have them under hand—or in hand.

The Chairman: You mean by that, you did not think he wanted them to be brought over here? A.—You made that suggestion.

Q.—Well, I am asking you. A.—I presume that is so.

Mr. Hanes: That is what you think, is it, Mr. Cromie, that Mr. McLeod did not wish to produce those books over here? A.—Presumably so.

The Chairman: So you were pretty well satisfied of that fact yesterday? A.—Yes.

Q.—So you can see now the mockery of the Committee sending you over to Vancouver to look around? A.—Well, I could not say definitely yesterday that the books were not there, but you insisted on my going.

Mr. Pooley: Did you actually see them taken out of the office? A.—No, sir.

Mr. Hanes: Did you receive a telegram or a telephone message on Monday, or Tuesday, from anybody in Victoria? A.—Yes, sir.

Q.—Who from? A.—Mr. Thomas.

Q.—And what was the effect of it? Was it a telegram or a telephone message? A.—A telephone message.

Q.—What did he tell you? A.—We just had a general conversation.

Q.—About what? A.—About the investigation having taken place here.

Q.—Yes; and what did he tell you? A.—He mentioned that I possibly would be required.

Q.—And that Mr. McLeod would be required? A.—I don't think that that was mentioned.

Q.—Now, are you sure? A.—I could not say definitely that it was.

The Chairman: What hour was that? A.—About 3 o'clock.

Q.—Eh? A.—About 3 o'clock.

Mr. Hanes: On Monday? A.—On Tuesday.

Q.—It was on Tuesday? A.—Yes.

Mr. Hall: Noon on Monday? A.—No, sir.

The Chairman: Was it after Mr. McLeod had gone? A.—Mr. McLeod apparently went on Monday—Monday night.

Q.—Well, I say, relative to his going, was this telegram before or after he had gone? A.—There was no telegram.

Q.—Telephone message. A.—After he had gone.

Mr. Hanes: Well, what other telegram or telephone message did you receive on Monday? A.—You mean long-distance telephone?

Q.—Telegram or telephone—yes, long-distance telephone message from Victoria. A.—A summons from Victoria.

Q.—What did you receive? A.—I received a summons from Victoria.

Q.—On Monday? A.—None on Monday.

Q.—Well, I am asking you, on Monday did you have a long-distance telephone conversation with anybody from Victoria? A.—No, sir.

Q.—Regarding this matter? A.—No.

Q.—Did you receive a telegram from Victoria from anybody in regard to this matter? A.—No, sir.

Q.—Well, do you know whether Mr. McLeod received a telegram on Monday from any person in Victoria? A.—No, sir.

Q.—Do you know if he received a long-distance telephone message? A.—No, sir.

The Chairman: He was asked that yesterday.

Mr. Hanes: Yes.

The Chairman: Mr. Cromie, did you read your summons over when you got it? A.—Yes, sir.

Q.—Now you tell us that you had an idea that Mr. McLeod was going to take these documents away because of this inquiry; and on Tuesday, when you were in charge of that office, you had a subpoena from this Committee setting out that you were to produce all the documents which could have any connection with this inquiry; and at that time you had in mind that Mr. McLeod either had, or was to take those away. Now, why, under those circumstances, didn't you try to obey this summons? A.—In what respect?

Q.—To go and see what documents you could get, that that summons required, and bring them over here yesterday morning? A.—Well, I told you yesterday we have so many books that I did not know just what books he wanted.

Q.—You were told to bring them all, weren't you? A.—I beg your pardon?

Q.—You were told to bring them all? A.—I could not very well do that.

Q.—Why not? Did you know that the Pacific Great Eastern Railway and P. Welch brought them all? A.—But not books in respect to perhaps ten or fifteen corporations would have to be brought.

Q.—Well, you knew that that was not what we wanted. Why didn't you search for the books that you suspected Mr. McLeod did not want to be brought over here, and you suspected

that those were the books we wanted, didn't you? A.—Well, I did not know what you did want, really.

Q.—You never even took the trouble after receiving that subpoena to see if the books were there? A.—I possibly should have done so.

Q.—There is no "possibly" about it.

Mr. Hanes: Do you say that after receiving that summons you did not look to see if those documents mentioned in that summons were not there? A.—I have already said that.

Q.—Well, I want to ask you definitely, so that I can understand it. Do you say after you received that summons you did not look to see that those documents mentioned in that summons were there? Did you look, or did you not? A.—No.

Q.—As I understand him, Mr. Chairman, Mr. Cromie states after he received that summons he did not look to see if any of the documents or if any of the things mentioned in it were there.

The Chairman: Yes.

Mr. Hanes: He says emphatically "no" he did not look.

Mr. Shatford: On Tuesday night last did you believe that all those books were there? A.—I had no occasion, outside of my conversation with Mr. McLeod, to believe otherwise.

Mr. Hanes: Do you know where Mr. Ed. White is this morning? A.—No, sir.

Q.—Did you have a conversation with him yesterday? A.—No, sir.

Q.—Or last evening? A.—No, sir.

The Chairman: Is Mr. White not here this morning, Mr. Davis?

Mr. Davis: I have not seen him.

Mr. Shatford: Did you agree to produce him yesterday, Mr. Davis?

Mr. Davis: No, I did not agree to produce him. I said that I expected him to be here, and I did.

Mr. Hanes: I understood yesterday, Mr. Chairman, that the request was made to have Mr. White here.

The Chairman: Well, let us finish with Mr. Cromie. Is that all you want with Mr. Cromie?

Mr. Hanes: That is all I want.

The Chairman: Now, in regard to Mr. White, we will take that up. Mr. White was here on Friday, and definitely undertook to attend the next meeting of this Committee, and did not do so.

The Secretary: I wrote Mr. E. F. White, 711 Belmont House, Victoria, B.C., on the 17th April, 1917, as follows:—

"DEAR SIR,—You are hereby commanded to be present at a meeting of the Select Committee of the Legislature inquiring into the P.G.E. Railway Co. *et al.* to be held at 10 o'clock on Wednesday morning, April 18th, 1917, in the Members' Room, Parliament Building, Victoria, B.C. I trust this notice will suffice.—Yours truly, F. W. ANDERSON, Secretary, Select Committee."

The Chairman: Have you any information to give us, Mr. Davis?

Mr. Davis: Yes, in respect to these books I have—those two private ledgers that were referred to. As you will remember, on the evidence that was given, sworn to by Mr. White, that these were personal matters and were private ledgers, and had nothing to do in connection with the matters which are being investigated here, I stated that we would decline to produce them. Mr. Thomas, however, as I stated yesterday, wished to let Mr. Welch take the responsibility of that.

The Chairman: You mean Mr. White—not Mr. Thomas.

Mr. Davis: Mr. Thomas. And for that reason we asked Mr. White to go over yesterday and allow Mr. Welch to decide the question as to the books. Mr. Welch, I may say, also made the statement to me that there was nothing in those books connected with campaign funds, or with regard to any of the matters being investigated here. Since Mr. Welch has had an opportunity of examining the books, I thought perhaps he would waive the question of these personal things, and it might be that he would not have any objection to the Committee seeing his private matters; and therefore I thought that those books would probably be produced this morning with Mr. White. But Mr. Welch tells me again that they have nothing to do with the matters being investigated here; that they show all the properties and investments, and that kind of thing, of Welch & Stewart; that they are not things, therefore, that he could produce to the public and give before this Committee, and therefore he is unwilling to produce them. It is simply proceeding on the statement made at this Committee by the Chairman, that private matters

which only concern themselves the Committee did not want to inquire into; and it seems to me it would be very unfair to have all the personal investments and properties of these men, and all the books containing memoranda in reference to them, produced here; and for that reason he declines to produce them.

The Chairman: We had a definite assurance last week that the books would be here; and that the items referred to in the ledger and which was transferred to that private ledger would be available for this Committee to see.

Mr. Davis: I don't think so. You will remember I stated that books that had nothing to do with the investigation we decline to produce.

The Chairman: But these books have something to do with the investigation. There was a distinct undertaking to produce them.

Mr. Maclean: I think you are wrong with regard to your recollection on that point. There was never any undertaking to produce those books. They started out with a refusal to produce them.

The Chairman: We are discussing the private ledger, and it was to be produced.

Mr. Maclean: That one was produced.

The Chairman: And it turns out that this private ledger turns out to be three books; and the transfer of these different accounts from the general ledger was transferred into three different books and not into one alone.

Mr. Davis: Well, personally, I can say that they have nothing to do with this investigation; and, as a matter of fact, there was never any undertaking to produce those books; and I did not know of their existence even until it was mentioned by Mr. White here, and it was certainly a very great surprise to me; and I then inquired in reference to them, and that is the information I got, that it has nothing whatever to do with this investigation whatever; and it does seem to me to be almost a matter of persecution to ask them to produce them, as it has nothing to do with the investigation here, and it is entirely a private matter.

The Chairman: Is Mr. Welch going to attend the Committee?

Mr. Davis: I have no instructions as to his attendance from him.

The Chairman: Do you know where he is?

Mr. Davis: I cannot say where he is. I cannot say where he is.

The Chairman: And you can give us no information on it?

Mr. Davis: I cannot see that I am called upon to do that.

Mr. Hanes: Well, as Mr. White gave his word that he would be here at the next sitting of the Committee, it seems to me that there should be a summons issued to have him attend; and also Mr. P. Welch.

The Chairman: Well, I think Mr. White is in contempt with this Committee, and it is a proper matter to be reported to the House. There is no question but what he should be here.

Mr. Ross: Is Mr. White under subpoena?

The Chairman: No, but from one adjournment to another he was expressly directed to be here, and that direction had all the force and effect of a subpoena as I understand it.

Mr. Ross: Well, was the scope of this Committee enlarged?

The Chairman: He was required to be here to testify to the matters appertaining to this investigation before this Committee, whether the scope was enlarged or not.

Mr. Shatford: Mr. Maclean, was Mr. White here on Tuesday?

Mr. Maclean: Well, I cannot be sure of that.

The Secretary: Mr. White was resworn and examined by Mr. Taylor on April 17th, 1917.

Mr. Hall: Is Mr. White in the Province, Mr. Davis?

Mr. Davis: I am not instructed to make any statement as to that.

The Chairman: Do you know anything about Mr. White's whereabouts, Mr. Cromie? A.—No, sir.

Q.—Have you had any discussion with him as to where he was going or anything? A.—No, sir.

Q.—When did you see him last? A.—I cannot recollect seeing him since last Friday or Saturday.

Q.—Where was he then? A.—In Vancouver, I think—in the Vancouver office.

Q.—Did he ever say anything to you about where he was going? A.—No, sir.

Mr. Hall: On Tuesday he produced one ledger.

The Chairman: Have you a copy of Tuesday's evidence?

Mr. Shatford: Mr. Cromie, you state positively that Mr. McLeod had possession of all Mr. Stewart's personal books, cheque-book, and books of account? A.—Yes, sir; yes.

Mr. Pooley: Have you Tuesday's evidence there?

Mr. Hall: Mr. Cromie, you mentioned to me just a moment ago, with respect to Miss Dwyer and another person there—who was that? A.—Mr. Estabrook.

Q.—Mr. Estabrook. I now understand you desire to make a statement in view of the fact that they have been subpoenaed to attend? A.—I just wish to make the statement that they would certainly not take it upon themselves to remove those books.

Mr. Shatford: Well, you cannot answer that. They had the combination.

Mr. Hall: To be quite frank with the Committee, Mr. Cromie, you know that those books have been taken by Mr. McLeod, and his juniors in the office had nothing to do with them. A.—I presume so.

Q.—Well, now—— A.—Yes.

Q.—You make that positive statement? A.—If they are gone, Mr. McLeod has them.

The Secretary: How would you know that? A.—Well, I say that I am satisfied of that.

Mr. Pooley: He did not say he knew anything about it.

The Secretary: He said he was satisfied, if the books were gone, Mr. McLeod had them, didn't you? A.—Yes.

Mr. Hall: The position is this: You know it to the satisfaction of your own mind practically, but you don't know it sufficiently to be able to swear to it on oath? A.—Exactly.

The Chairman: Just let me see a copy of the transcript where Mr. White was directed to be here. It is not in this copy. Get me the other copy—Mr. Allbutt's.

Mr. Hanes: Here it is—it is on the last page, I think.

The Chairman: Mr. Ellis, the Secretary tells me that he notified you to have him attend; and I notice here by the transcript we were to meet that evening at 8.30, on the 17th, and Mr. White was required to attend at that time; but later it was decided to adjourn that meeting until the next morning; and I understand from the Secretary he notified you to advise him of that fact.

Mr. Ellis: Yes; he asked me to tell Mr. White; and I explained that yesterday.

The Chairman: Did you communicate with Mr. White about that?

Mr. Ellis: Yes, I told Mr. White; and I was talking to Mr. Taylor, and, as I explained yesterday, I understood the evidence as to go over for two or three days; and I told Mr. Taylor also what Mr. Anderson had told me; and Mr. Anderson at the time told me I had better see the counsel for the Government, and in my conversation with Mr. Taylor I told him I understood Mr. White was going up to Vancouver to get the books.

The Chairman: Well, anyway, Mr. Ellis, was this fact communicated to Mr. White by you, that this Committee required him to attend at the next session?

Mr. Ellis: I beg your pardon?

The Chairman: Did you communicate with Mr. White, and tell him that he would be required to attend here at the next session?

Mr. Ellis: Yes. But I understood that Mr. White was only required to be here to produce the books; and he could not produce the books without getting them first, and he had to go away and get them; and no one else could apparently get the books excepting Mr. White.

Mr. Anderson (Secretary): What I told Mr. Ellis was that I had written a letter notifying Mr. White to be present on Wednesday morning, and I told him that I did not think Mr. White would probably get back here in time; and Mr. Ellis said that Mr. White was going over to get the books, and it would be very difficult for him to get back in time; and I suggested probably an arrangement could be made with Mr. Taylor to not have Mr. White appear on Wednesday, but to come over when he had the books, so as to give him time in order to get the books; but, as far as I was concerned, I had been instructed to notify him to be here on Wednesday morning. The arrangement, as far as I was concerned, was that he was to be here on Wednesday morning.

Mr. Ellis: Yes, that is right; but, as I said before, I understood Mr. White's examination was all over except with reference to those books, and if he could not produce them——

The Chairman: Well, that is the reason we wanted him; we understood Mr. White had the custody of those books, and he was the man who had the books and could deal with them.

Mr. Davis: I may say, Mr. Chairman, with reference to those books, bearing out what I have said, we are willing to produce those books to you and let you look them over and verify the statements I have made, so long as they are not kept here and filed and made public to the Committee, which means practically public to the world. There is nothing in those books in connection with this matter, and I am quite willing that you should look at them.

The Chairman: Well, that is a responsibility I could hardly assume.

Mr. Davis: Well, that is all we can do. Are we to be forced to bring our private books? Would you like to have your private books produced to the public at large?

Mr. Hanes: As far as the Committee are concerned, I think there is only one way out of it; and that is as you suggested—Mr. White knew he was expected to be here—and that is, to issue a summons and send it to him, and have him appear here; and that is the end of the matter.

Mr. Davis: Well, I can see no reason why we should have to produce our private books.

Mr. Hanes: That is the only way out of it. If that part is through, I want to produce a motion here to the Committee which I have drafted.

The Chairman: All right, Mr. Hanes, it is in order.

Mr. Hanes: I might state to the members of the Committee that this is only a rough draft of a motion that I intend to file. I have had it typewritten, and I am willing to have any changes or alterations made, or have it thrown out if you see fit; but this is my idea of what ought to be done (reading resolution):—

“Moved by Mr. Hanes, That whereas the Pacific Great Eastern Railway Company and Foley, Welch & Stewart have failed to carry out their agreement to build the Pacific Great Eastern Railway between Vancouver and Fort George:

“And whereas D’Arcy Tate on behalf of the Company, and Mr. P. Welch on behalf of the Company or Foley, Welch & Stewart, have stated under oath that they cannot complete the line, and that the firm would not do so with their own money:

“And whereas D’Arcy Tate, vice-president of the Railway Company, and Mr. P. Welch, of Foley, Welch & Stewart, and Donald McLeod have left the Province:

“Therefore be it *Resolved*, That the following be adopted and presented to the House:—

“(1.) That the \$24,960,000 worth of capital stock issued illegally to the Pacific Great Eastern Railway Company be cancelled.

“(2.) That the contract let to Pat Welch for the construction of the railway be cancelled.

“(3.) That the Pacific Great Eastern Railway Company and Foley, Welch & Stewart be sued for the return of all statutory overpayments.

“(4.) That action be entered against the directors of the Pacific Great Eastern Railway Company for the return of all money made as profits directly or indirectly out of the contracts or sub-contracts in which they were interested in connection with the construction of the railway.

“(5.) That action be entered against the contractor, Mr. P. Welch, for the return of all overpayments made to him by the Railway Company on account of increased or wrongful classification or payments made not in accordance with the specification.

“(6.) That the Legislature at this session prepare and enact legislation for taking over complete control and ownership of the Pacific Great Eastern Railway as a Government line, and that tenders be called for the completion of the same.”

I have signed that resolution, and I would like to file it. As I say, I am very anxious to have it discussed; and it can be changed and altered, or added to, or anything you wish.

The Chairman: Well, my suggestion would be this: Even assuming the Committee agrees with this substantially, it is really a matter for the report of the Committee to go into, and it should not be decided on at this stage.

Mr. Hanes: No; I file this as a motion. I take it for granted it is conceded that we are being stalled as a Committee in every way, shape, and form.

The Chairman: Well, as I understand it, there is a certain amount of evidence that we can get yet before we close; and then it is for the Committee to prepare our report. There is something preliminary to this being gone into; and then I do not think your motion as to what the report should be is properly in order until the evidence on that subject is closed. We can prepare our report later. You see, we are acting in a judicial capacity in that sense, and we should not declare our judgment until the evidence is closed.

Mr. Hanes: I am quite willing to have this motion stand over.

The Chairman: You see, your motion covers a report.

Mr. Hanes: Well, it can stand over until we get ready to report.

The Chairman: It is very unfortunate we have to have all these delays in keeping our report back. I was hoping to have had it in ten days ago. This has not been seconded, so my information is Mr. Hanes will just leave it here.

Mr. Hanes: I do not think for the purpose of filing a motion it needs to be seconded. We had that understood at the commencement, that a motion is in order——

The Chairman: You don't want that motion put at the present time?

Mr. Hanes: No. It can simply be filed so that we can take it up again.

Mr. Pooley: If you have the motion before the Chair we should vote on it.

Mr. Hanes: Oh, no; it can be left over. But I think we have reached a stage where we ought to deal with these matters and any others that may arise——

Mr. Shatford: You are quite right.

Mr. Pooley: Well, do you want to withdraw it?

Mr. Hanes: I did not say I wanted to withdraw it. I will leave it on file with the Committee.

The Chairman: Before that motion is put I think there should be a statement made that the evidence is all closed; before a motion of this kind is in order as a preliminary to this motion there must be one to the effect that the Committee have closed their evidence on that point. Are you prepared to make that motion?

Mr. Hanes: Let me see what it is.

The Chairman: That the Committee has now concluded its evidence on the matters relating thereto.

Mr. Hanes: No, I am not prepared to do that.

The Chairman: Then your motion is out of order.

Mr. Hanes: But we have been reporting to the House on different things——

The Chairman: On the main report.

Mr. Hanes: I don't consider that is a main report. It is for the consideration of the Committee.

Mr. Pooley: You are getting down to the milk in the cocoanut when you make that resolution. That covers all the points.

Mr. Hanes: No; I think there are others which should be added in a separate motion; and I will support any motion for any other action that should be taken; but if you are referring to any criminal action, if there should be any, I am not prepared to take any part like that. I think some one else on the Committee knows more about that than I do.

Mr. Hall: Mr. Cromie, do you think you could arrange to have those two witnesses here to-morrow morning? A.—Yes.

Q.—It seems to me, as Mr. Cromie says that those two witnesses can be here to-morrow, we should have them.

The Chairman: I think we ought to seriously consider the question of bringing in this substantive part later. I have ruled this is out of order at the present time, but I hope it will be in order in a very few days. Of course, when I ruled it as being out of order, that is subject to the view of the Committee; but I think it would be premature to consider it now before we conclude our evidence on those points.

Mr. Shatford: Can it be filed with the Committee?

Mr. Hanes: If it can be filed with the Committee, all right; but I don't like to have it ruled out of order.

The Chairman: I cannot put the motion now.

Mr. Hanes: No. We can discuss it later. These are suggestions.

The Chairman: I think that is a practical suggestion and meets all the difficulties. Mr. Hanes, contemplating the report that this Committee must very shortly make, has drafted certain suggestions which he considers should be in that report; and they are now before the Committee for consideration; and when the time for the report comes up he proposes to make a motion something along that line.

Mr. Hanes: But I don't want it ruled out of order now.

The Chairman: No; it is not ruled out of order, but it is accepted by the Committee as a piece of useful information. In the meantime it is before the Committee for their contemplation. Now, Mr. Taylor is not here to-day, and I do not know whether he will be here to-morrow or not.

The Secretary: I don't know. To-morrow morning I would suggest that we should meet and

finish up with these other one or two witnesses. I think if we were to have one more substantial meeting, that is all we would need. I would suggest we meet on Monday.

Mr. Shatford: I would say Tuesday.

Mr. Hall: Tuesday seems to be a very bad day with us.

The Chairman: Well, perhaps we had better leave that to be decided to-morrow morning. We will meet to-morrow morning at 10.30, and then we will be able to decide to-morrow morning what we will do at the next sitting; and I think then all the members of the Committee will have in their minds the report on the financial phases of this matter.

Session adjourned till 10.30 a.m. to-morrow, April 20th, 1917.

TWENTY-EIGHTH SESSION.

FRIDAY, April 20th, 1917.

After the reading and approval of the minutes of the two previous meetings, the Chairman of the Committee made reference in the following manner to an inaccuracy on the part of the assistant to the official stenographer in that portion of the transcript which dealt with an incident between the Chairman and one of the members of the Committee:—

The Chairman: By way of information to the stenographer, and I think you (the members of the Committee) will agree with me, in that part of the transcript which contains the remarks of Mr. Ross to the Chairman the other morning (Wednesday morning), the word employed was "railroaded" and not "rushed."

(It was understood that the necessary correction would be made by the assistant stenographer.)

Mr. Davis: Before you proceed, there is a statement I would like to make, if I may be permitted. I am authorized by the contractors to make a statement, which they wish known to the members of the Committee, and also to the members of the House, and to the people of the Province, as showing their *bona fides* in connection with this transaction. Foley, Welch & Stewart are prepared, in case they are released from any liability for damages or otherwise, to turn over to the Government all their holdings in the Pacific Great Eastern Railway Company, all their holdings in the Pacific Development Company, and all their holdings in the Pacific Great Eastern Equipment Company. Furthermore, they are prepared, or, if it is preferred, Foley Bros. are prepared to undertake to complete the railway at actual cost, under Government management and supervision. Of course, the Government to finance them at actual cost.

Mr. Taylor: I think, Mr. Chairman, that the matter has been under consideration; and I think that Foley Bros. Welch & Stewart, if they want to put themselves in a correct position, should do a great deal more than that. If it be true that they have been improperly paid large sums of money by way of profits and overpayments, amounting to several millions of dollars, they should put themselves in the position to make good those moneys. The country should be reimbursed to that extent. Furthermore, if it be true, as Mr. Tate has sworn, that these moneys, or part of these moneys, have been used for improper purposes, sometimes vulgarly called "boodle funds," those disclosures should be made by these people; the names should be given, the particulars given, before they should ask any decent body of men to listen to any proposal coming from their mouths.

Mr. Davis: I am not discussing this matter at all. I have made the statement; but I will add this to it: that Foley, Welch & Stewart have not in their possession now, or received under this contract with the Government, any money which is not accounted for and shown in that statement. We have put in a statement showing not only that they have put back the moneys received from the Government, but \$400,000 more; and we have challenged the auditors to check up that statement; and there has never been any suggestion that there is anything wrong with it.

The Chairman: Does your statement include, Mr. Davis, the money in the bank as part to be given back?

Mr. Davis: Certainly; as I have stated during the investigation, that \$400,000 as shown in that statement which has been produced is included in my statement.

Mr. Pooley: I just wish to make one exception to the statement of Mr. Taylor. As far as I have understood the evidence, there has no evidence been given that any moneys from the Pacific Great Eastern Railway Company went into party funds, either one or the other party. The evidence is that Mr. Tate paid certain moneys, which he contended were his own moneys, and which he received as commission, that he paid it over for political purposes—some of it. There has never been yet any of it ear-marked as being moneys advanced by the Government or otherwise.

The Chairman: Mr. Pooley, if that statement is correct, as I understand it, I do not think Mr. Tate could have been asked to make any statements as to what he did with his own individual moneys; but, unfortunately for Mr. Tate, that was not a fact, as you stated it. He stated, and very clearly, that he made a bargain with Mr. Stewart that he was to receive (Mr. Tate was to receive) \$6,000,000 in capital stock of this Company and \$500,000 in cash; and he did receive it; and out of that he was to provide campaign funds for the purpose of getting this charter.

Mr. Davis: He stated, further, that he had handled no money whatever in connection with getting the charter.

The Chairman: He stated, Mr. Davis, that the money was not paid until after the charter was got. But he did state that those moneys were paid as incidentals to carrying out these obligations.

Mr. Taylor: Of course, as far as that is concerned, Mr. Chairman, Mr. Pooley undoubtedly is of that opinion, but he stands as one to ten thousand people.

Mr. Pooley: You gave your opinion as to how you understood their evidence, and I am just giving my version.

Mr. Taylor: You stand in the proportion of one to ten thousand.

Mr. Pooley: The evidence will speak for itself.

Mr. Taylor: Now, what I would like to make quite clear is this: We will assume that the proposition is now that these people build the road at cost; that is, that they do the balance of the work at cost. That means that they will keep the improper profits that they have already received. If it be true, as their last statement, which has been filed, shows, that there is \$5,000,000-odd of profit between Mr. Welch and the Railway Company on his cost; and added to that, \$1,800,000-odd which we say—which I say should be added to it, making about \$7,000,000 in all; if that be correct, or any part of that be correct, and he admits nearly \$5,000,000 of it as being correct, then on his own basis they are to keep all those profits, which are improper, at these excessive unit prices, and then simply blandly say to the Province, "Pay us the actual cost in the future"—I say, then, let them come through and pay back those improper profits on the construction of the work, or even a reasonable part of those improper profits; and then talk to the Province about doing the balance at cost; then let them also come before the people as honourable men, and if they have improperly disbursed the money, admit it; and instead of going out of the country and keeping their private ledgers away from this investigation, let them admit it; and if they have done wrong in paying any of this money to any party as a "boodle fund," admit it as honourable men; and then they are in the position to talk business. Now, that is my position.

Mr. Davis: There is no use in having any misunderstanding on a question of fact. I do not suppose my learned friend is intentionally misunderstanding the position of affairs; but it is not so (referring to profits) as was pointed out, and it was cleared up at a meeting of the Committee when Mr. Taylor was not present. It was cleared up beyond all question that there was not any \$5,000,000 of profit, or any profit. Mr. White, as you will remember, treated the estimates as cash, and made a mistake of about \$2,000,000 in connection with it; and it was shown from the statement that he put in that Foley, Welch & Stewart have disbursed, by reason of this contract and in connection with this undertaking, in the neighbourhood of \$100,000 more than they have ever received, or the Pacific Great Eastern Railway ever received from the Government. Now, there is no question about that fact; and we have challenged, and have done so again and again and again, the auditors to go through the books, which were all produced here, and show that it is not correct. We have the vouchers here, and we can show the correctness of our position; and I do object to any statement going abroad, as is attempted to be shown, that we have got away with any of the moneys included in that statement; I include, of course, the \$400,000 in the bank.

Mr. Taylor: I do not suppose that there is anything to be gained by discussing it further with Mr. Davis; the position of the contract and work seems perfectly clear; the whole position is absolutely clear on the evidence.

The Chairman: Even on the basis of Mr. Davis's own figures, I do not see how it can be claimed that no profit was made, even after taking into account the \$100,000, when, after all the disbursements that they refer to, there is \$400,000 cash in any bank.

Mr. Davis: I stated that that \$400,000 I am assuming as being the property of the Government; and in this offer, as I have stated, we proposed to turn that over.

The Chairman: I understand that it is claimed they have lost money. That is on your own figures, and it is an unusual way of arriving at it, by paying back the amount of money which they have in the bank.

Mr. Davis: Surely that has been explained, that that \$400,000 in the bank is really Government funds and admitted by us to be so; it is just as much their funds as if it were in the hands of the Government.

The Chairman: To my mind, it is not a bit more Government moneys than the \$1,000,000 or so that was taken out of the trust funds and invested in the Development Company; I do not see any difference.

Mr. Davis: That is a matter of argument. I have explained it fully. It seems to me that it is a fair payment. However, that is a matter of comment.

Mr. Taylor: I understand there are certain witnesses to be called this morning. Mr. T. Taylor, will you just take the chair?

THOMAS TAYLOR, duly sworn, testifies (examined by Mr. S. S. Taylor).

Q.—Your full name, Mr. Taylor? A.—Thomas Taylor.

Q.—You were Minister of Railroads under the late Government? A.—I was.

Q.—For how many years? A.—From the time of the inception of the Department.

Q.—What year was that? A.—In 1911.

Q.—Until the time that the Government went out of power? A.—Yes.

Q.—That was in October, 1916? A.—November.

Q.—November, was it? November, 1916. What time in November; I don't think we have that date fixed? A.—23rd of November.

Q.—23rd of November, when the late Government resigned. During that time, Mr. Taylor, we have had a very great deal of evidence here showing what was done with regard to the Pacific Great Eastern Railway and the Pacific Great Eastern Development Company, what was done as between them and the Government; and we have been told by Mr. Gamble, the chief engineer, and practically the person *solus* looking after railway affairs and railway-construction in that Department (of Railways), that he didn't consult with you at all; you were his superior; you were his Minister; and we were informed that he consulted, in all matters, Sir Richard McBride; have you an explanation to make as to that state of affairs? A.—Well, as regards the Development Company and any subsidiary company, that would be correct; but, as far as railway matters are concerned, the matter was entirely under my charge in connection with the railroad-construction, the passing of certificates, and so on.

Q.—Being under your charge is one thing, nominally; being under your charge actually is another thing; now, you heard my question, but you hardly answered it. He has made that sworn statement, or words to that effect, that he didn't consult you at all, and I asked him on the question of fact, and his statement is that he consulted Sir Richard McBride. We have all the files of your Department, or a great many of the files of your Department, before us, and outside of some very formal matters, we have never seen or know of any consultations. We have got the private files of Sir Richard McBride, and we have other files not private, and there is an abundance of correspondence and other matters respecting this railroad between him and many others, including the contractors and the promoters, but not any from you; what have you to say as to that state of affairs; why was it that you did not take a more active part in the carrying-on of your Department in respect of the Pacific Great Eastern Railway? A.—Why, I cannot—I cannot say that that statement is correct.

Q.—You cannot say that it is correct? A.—No.

Q.—Do you say that it is not correct? A.—I say that I certainly exercised control under those powers given me under the Statute, and I acted in the capacity of the Minister in charge of the Railway Department, and on many occasions Mr. Gamble and I consulted.

Q.—Did you determine the policy from time to time? A.—No, I will not say that I did.

Q.—Who did? A.—I will say that it was generally the policy of the Government, and not of one individual.

Q.—The fact is that Sir Richard McBride, as is shown by his files, took a very active part in every feature, getting through the bonds, for instance, and negotiating the sale of those bonds, determining the commissions, and brokerage fees, and this, that, and the other thing; that is simply an illustration of something that I would think would be taken up in the Department of the Minister of Finance, and in your own Department. A.—I don't know that it would fall within the sphere of the Railway Department.

Q.—No? Very well. That disposes of it. Then the question, for instance, of dealing with the contractors. We see nothing between you and the Pacific Great Eastern Railway or the contractors, but we see a very great deal between Sir Richard McBride and them. How is that? A.—Well, I may say that it was a matter that was in the engineer's hands, the chief engineer of railways.

Q.—Well, why was it that Sir Richard McBride was active in the matter? A.—Well, surely, that is something I could not give you any advice upon; do I know that he was?

Q.—You don't know that he was doing it at the time? A.—No.

Q.—You didn't know that he was doing it at the time? A.—No, I don't know that he was.

Q.—How is it that you permitted them to draw an admitted amount—it is now admitted, as far as Mr. Tate is concerned—of \$5,704,316.50 contrary to subsection (d) of section 9 of the agreement of the 10th of February, 1912?

Mr. Maclean: Mr. Taylor, that is not admitted at all; that is a matter of argument on our part. You state it is wrongly drawn, and I am taking the position here that it is not wrongly drawn; there is a discretion there, at all events, or more than that, as to how that section would be worked out.

Mr. Taylor: I state to you that it is Mr. Tate's evidence, and not my learned friend's position. He is correct when he says that this section which made a contract, and an agreement, and with which my friend had to do himself, is a jumble of words; we have heard that before. But, apart from that, Mr. Tate admits that this proportion should have been observed; Mr. Gamble says that it should have been observed; and Mr. Gamble says that the Government always recognized that these proportions were the proportions intended by the Statute; there never was any question about that feature; and it was put very explicitly by the Chairman and by myself—

Mr. Maclean: The question never was raised, that is all.

The Chairman: Please do not interrupt Mr. Taylor.

Mr. Maclean: Well, Mr. Chairman, no counsel has the right to state the evidence improperly.

Mr. Taylor: As I understand it, before the Committee and whether or not it was put explicitly by the Chairman to Mr. Gamble, no question was ever raised that the proportion was recognized as being the proper proportion, and that it was the proportion that should be observed, and he (Mr. Gamble) expressly brought it to the attention of the Government.

The Chairman: I have a distinct recollection of that.

Mr. Taylor: Mr. Tate answered in the same way, but argued, of course, that the section was a jumble of words. Now, the Government having recognized, pursuant to the evidence, the proportion referred to in subsection (d) of section 9 of the agreement of the 10th of February, 1912, Schedule A to chapter 34 of 1912; how is it that you permitted \$5,704,316.50 to be overpaid? A.—Well, I cannot say that I individually permitted it; it was the Government of the day that permitted it.

Q.—Of which you were a member? A.—I was equally responsible with any other member of the Government for the payment of those sums, or for the certificates which were authorized in connection with them.

Q.—I will put it to you in another way, then, and will ask you afterwards a general question. There has been the full amount of \$42,000 a mile collected by the Pacific Great Eastern Railway Company from the Government, from their trust funds for the full mileage of 480 miles, which is in excess, by three and some miles, over the actual distance; but we will forget that, excess for a minute. The full mileage of \$42,000 a mile has been collected, and there are about fifty miles that has never been touched; there are, roughly speaking, about 200 miles, or more—more than 200 miles, somewhere about 250 miles, that have not got the rails

or the ties on; there are somewhere over 150 miles, or something like that, that is not in any way fully graded; there is a very small portion of the road that is fully ballasted. We have named the mileage that has never been touched; and the large mileage that has not the rails or ties on; and there is a large mileage that has not been graded, or fully graded; and there is a large mileage that has not been fully ballasted, and still \$42,000 a mile has been paid out for the whole thing; and nearly four miles more than the total mileage. Did you realize that when you were authorizing those payments? A.—Quite true.

Q.—Why did you do it? (Repeating.) Why did you do it? A.—There were many reasons actuating the Government.

Q.—What reasons do you mean? A.—The principal reason was the fact of the labour situation, due to the war, and to conditions prior to the war.

Q.—How long prior? A.—Well, I would say, during the spring of that year, 1914.

Q.—Spring of 1914. A.—That made it imperative that the work should be continued.

Q.—That is one. I want you to exhaust all the reasons, and give me any other reasons. A.—Well, I will say that that was the principal reason.

Q.—Don't let us stop there, because I am going to ask you some very important questions based upon your present stand, and I want you to exhaust the subject before we think of anything else. Is there any other reason that caused you to make those payments, as we suggest, in violation of the provisions of the Statute, in view of the circumstances that I have already related to you, paying contractors for mileage that has never been touched, etc.? A.—I would say that no payments were made without the sanction of the legal department.

Q.—Well, give me the reasons why you made the payments that you did; the legal department would not have the reasons why you made the payments; what was the reason, or what was the policy, or otherwise, that caused you to make the payments? The legal department would simply advise you whether they considered you would get into trouble by making these payments, and they would not know the reason why you did it. A.—The anxiety of the Government to see the work pursued to completion at as early a date as possible.

Q.—Any other reason now. We will exhaust all these reasons, as we do not want any of them thought of afterwards? A.—Those are the reasons, as far as I know.

Q.—Those are the reasons. Now we will take them up. "The labour situation, due to the war, and due to the conditions in the spring of 1914 before the war, made it imperative that we should disburse the moneys to continue the work." (Referring to a written memo. just made by Mr. S. S. Taylor.) I will tell you that that is not an answer, for the reason that this wrongful procedure was started before they ever turned a sod on the road in 1912. How do you explain that? And it continued, in no manner changed, up to the spring of 1914; and it continued, in no manner changed, up to and after the war. The wrongful procedure was started long before there was any development in the labour situation. How do you explain that? You are paying absolutely in excess of this proportion, without any regard to the proportion, from the very start? A.—I can say that no proportion of the guarantees were paid except on certificates that were duly approved by the engineer.

Q.—Now, we have had that before, and it does not answer the question. The engineer has given his evidence; and the engineer protested in two of his certificates against this procedure; and he had consultations with Mr. Bowser, Sir Richard McBride, and Mr. Tate. Now, we have that all on oath; so it will not be a reason to say that the engineer certified it. A.—You are speaking of the earlier certificates, I understand?

Q.—I am speaking right from the very beginning—from the very beginning they made these payments without the slightest regard to proportion.

Mr. Maclean: They made the payments.

Mr. Taylor: —out of the trust funds, without the slightest regard to proportion that should be observed, and that system and procedure was in no way changed by reason of anything that happened in 1914; it continues right through, and was in no way altered at the time when war was declared, or at any time afterwards; it is the same wrongful procedure or system from the beginning, and throughout, and resulted in those overpayments. You see, the excuse you gave, of the labour conditions of the year 1914, and of the war, August, 1914, does not answer the situation; can you tell me something else now: Take your time, and exhaust the excuses; can you tell me anything that would justify that situation? A.—Well, I contend, as I said a moment ago, that all payments were made on certificates of the engineer, which I took to be, and still

think, were correct; and I know of no procedure contrary to the Statute in the early stages or prior to the spring of 1914.

Q.—The certificate of the engineer does not compel you to pay; it simply certifies that a certain amount of work has been done, and it is then up to the Government and the Department of Finance to see that the Statute is observed as to that proportion. That they didn't do. Now, the engineer's certificates would be the same if you had observed the Statute, and it would be the same if you had not observed the Statute; it simply certifies that a certain amount of work has been done of a certain value. Now, Mr. Taylor, with great respect to you, I do not think that in any way answers the situation. Don't you think that there are other reasons that you have not given—reasons of relationship between your Government and the contractors? A.—Absolutely none; absolutely.

The Chairman: Would you answer this question, Mr. Taylor (T.), if I may interject there: Did you know that they were paying that all out, except 10 per cent.? A.—Did I know?

Q.—Yes. A.—Yes.

The Chairman: It was just a suggestion to be followed out.

Mr. Taylor: And that 10 per cent. was the 10 per cent. that the Pacific Great Eastern Railway was holding back from Foley, Welch & Stewart, called P. Welch? A.—What was that?

Q.—I say that 10 per cent. was the 10 per cent. that was in P. Welch's contract, and not in the Government's contract with the Pacific Great Eastern Railway or Foley, Welch & Stewart? A.—No.

Q.—You were observing something that was not in your own contract. Did you know at the very beginning, when P. Welch took that contract, that P. Welch and Foley, Welch & Stewart were one and the same thing? A.—No, I did not.

Q.—What was told you? A.—I had no knowledge of it at any time until this—

Q.—Inquiry? A.—Inquiry.

Q.—You never knew that before? A.—No.

Q.—You were deceived as to that, were you? A.—Well, I certainly did not know.

Q.—What would you have done, had you have known it? A.—Well, I think I would have authorized a closer supervision.

Q.—We have had the evidence as to the supervision which the Government did exercise, and it was extremely limited; a few visits of Mr. Gamble, who had a great deal of work to do in other ways, in the Railway Department, and in connection with other railroads, amounting to practically no supervision at all; you permitted that to go on because you thought that Foley, Welch & Stewart were different from Pat Welch? A.—I had that impression.

Q.—Had you known that Mr. Callaghan, the chief engineer of the Pacific Great Eastern Railway, while nominally the engineer of the Railway Company, was by reason of the Railway Company being the same as Foley, Welch & Stewart, and P. Welch being the same as Foley, Welch & Stewart, and he was therefore in effect an employee of the contractor; had you known that to exist you would have had a very strict inspection, wouldn't you? A.—Well, I would say so.

Q.—And that was the reason that you didn't have a strict inspection, because you did not know, or you did not think that that relationship existed? A.—I always thought that our inspection was sufficient.

Q.—But that is the reason you didn't have a strict and close inspection, because you did not know that that relationship existed between those parties; you thought that P. Welch was an independent contractor? A.—I did.

Q.—What was the reason—do you know of any reason for their deceiving you? A.—I have no knowledge of any; I don't know why there should be any reason.

Q.—Mr. Gamble gave the same evidence as you are giving in that particular; he did not know it (the relationship), and he would have taken a different course had he known it. Did you frequently talk with Mr. P. Welch about the road? A.—I would not say frequently, but I have had a number of talks.

Q.—And you frequently talked with Mr. Tate, of the Railway Company? A.—Yes.

Q.—About the railroad? A.—Yes.

Q.—And its construction. And I suppose you frequently talked with John W. Stewart? A.—Well, very little with Mr. Stewart.

Q.—You did see him, though, at times, and talked to him about the railroad? A.—I don't know that I had many conversations with him; he was away—

Q.—Then Mr. Welch and Mr. Tate always preserved this fiction, did they: that P. Welch was an independent contractor, and that they were watching him—the Railway Company was watching him very closely, so that it was not necessary for the Government to keep their eye on him; they always preserved that false position, did they? A.—I would not say that; the question never occurred to me; the point never occurred to me; they did not appear to me to try to “preserve any fiction.”

Q.—They never said anything that made you suspicious that P. Welch was not an independent contractor? A.—No.

Q.—And hence, not knowing of the close relationship that existed, you did not require a close inspection by the Government; and they never allowed you to suspect that relationship, did they? A.—No.

Q.—What was the reason in paying out these funds, that you paid them for nearly four miles that there was not actually in the road, amounting to \$163,800? A.—It was originally understood that that was the length of the road; and the surveys, of course, demonstrated it.

Q.—I will tell you that the surveys which demonstrated that length were two or three years before you paid out that surplus money; that surplus money was not paid until away some time in 1916, or early in 1915; and the actual distance—we have it on the file—was demonstrated long before that time, and it was known to the Government as being 476.1 miles instead of 480 miles. Now, you had that information on file; you knew all about it; what was the reason you paid it? You may not have personally known it, but the Department knew it; what was the reason that you paid out to them for four miles more than they had the slightest right to under the Statute? A.—I think it would probably be paid out without the knowledge of myself, if there was any overpayment.

Q.—No, no— A.—On the certificate of the engineer.

Q.—No; the engineer had to make his certificates, and we have it that they have not anything to do with the mileage at all. The certificates have nothing to do with mileage. They deal with the quantities of work, and the value of it, at so much a yard, or at a certain price per acre, and so much for timber; now, that is all he (the engineer) deals with. A.—I was continuing to say that the overpayment in that respect was refunded.

Q.—Oh, no; not a cent of it; not a cent of that \$163,800 has been returned; not the slightest demand by the Government for them to return it to the Government; and they have never had a dollar paid back; we have that all proved—not a cent of it. A.—They didn't get any of that refunded?

Q.—Not a cent of it. You are thinking of something else that I am coming to next. We had all that; there were nearly four miles paid for; not a cent of it has been returned, or the interest on it; they are holding it, keeping it; I cannot see why you would ever pay out that money when your Department knew that there was no such mileage; you say that it was a slip, do you? A.—I would not say that.

Q.—Or an oversight? A.—I would say that it was paid on the understanding that the mileage was 480.

Q.—Well, it has been proved, and the files are in the Department, and they show that the mileage was not there; and there are letters showing the mileage was not there. It was well understood by both the Finance Department and your Department that the mileage was only 476.1; we have that evidence in, so there is no question about it; is it a slip, or did you have it in mind? A.—Well, I can say that it must have been something that slipped my mind; it certainly was an overpayment.

Q.—Very well. Now, the next item is one that you just partially referred to. It was originally about \$234,000; it is reduced now, according to Mr. Tate's contention, to \$85,521.93; our auditors think that it is a little over \$90,000. We will assume that Mr. Tate is correct, and that it is \$85,521.93; that is the amount that was deducted in London from the proceeds of the sale of the debentures, by the parties who bought the debentures, to cover interest that was owing in London for advances, etc., and should not have been deducted, because the Statute requires the whole of the proceeds of these debentures to go into a trust fund in the bank. They have returned—that is, Foley, Welch & Stewart have returned all, except this \$85,521.93; what is the reason that they were not required to return that amount also? That is a matter that

has been outstanding for several years during your regime. Why didn't you insist upon it being returned, or why was it not deducted from their estimates? A.—The greater part of it was deducted. There is only a balance remaining as you have just stated.

Q.—\$85,521.93 is the amount; we are talking about that; why was not the whole thing deducted? A.—It was, as I understand.

Q.—I think you are in error in saying that any amount was deducted from their estimates; Foley, Welch & Stewart paid back \$130,000, or something like that.

Mr. Maclean: It was deducted from the estimates.

Mr. Taylor: Was it? I think you may be mistaken.

Mr. Maclean: That is my recollection.

Mr. Taylor: Assuming that you are right, Mr. Maclean——

Q.—I cannot see why you (the witness) didn't take it up; what was the reason?

Mr. Maclean: It was not all deducted at once; there are different estimates from which it was deducted.

Mr. Taylor: No, I think you are mistaken; that is another matter; that is in connection with the interest payment of \$620,000. They were paying the interest on these debentures out of their estimates.

The Chairman: It was all paid back?

Mr. Taylor: It was all paid back, \$150,000 a month.

Mr. Maclean: Possibly that is what I am thinking of.

Mr. Taylor: \$620,000, I think it was, all paid back, \$150,000 a month. That is a different matter entirely. This started some time before, when the debentures were sold in the first place, and not a dollar of it has been deducted from the estimates; Foley, Welch & Stewart paid back, as I stated, \$130,000, leaving this balance of \$85,521.93. I want to know now from you, Mr. Taylor (T.), why that was not deducted? A.—Well, I think that probably I have my mind on the moneys that were refunded—that is, the \$600,000.

Q.—Yes, you are probably thinking of the interest, and that is a different subject. Why was not this amount deducted, this \$85,000? A.—Well, I cannot at the moment give you the reason.

Q.—Yes? A.—But it is in the same position as the other interest that was paid in that way.

Q.—There is nothing on file in your Department, I may tell you, giving the reason either; nothing that we have been able to find.

The Chairman: Do you say that you do not know anything about it, Mr. Taylor (T.)?

Witness: Would that necessarily be a matter for the Railway Department; that would be a matter for the Finance Department, would it not?

Mr. Taylor: Very well; we will not go into a discussion on that question.

Q.—I have told you about this one item, and you were looking after this railroad in your Department; you say you resent the assertion that Sir Richard McBride was handling the situation; do you take the responsibility now of having passed it—what do you say about that item (\$85,000)? A.—I say that it must have passed the Finance Department without a reference to the Railway Department.

Q.—You were aware that they had issued all the shares to themselves, notwithstanding the sections of the Act respecting fully paid-up shares; you are aware that they issued \$25,000,000 of shares to themselves, only having paid \$40,000 into the treasury of the Company; you were aware of that, weren't you? A.—Yes.

Q.—Why did your Department allow that to take place in face of the provisions of section 31 of chapter 36 of 1912, incorporation of the Pacific Great Eastern Railway?

The Chairman: Section 21.

Mr. Taylor: Section 31. Of course, you can say section 21, and also 31; particularly 31, which deals with paid-up shares.

Q.—Mr. Tate, I will tell you, tried to get that section amended in several draft Bills, which he put before the Department——

Mr. Maclean: And he was promised that they would be put through.

Mr. Taylor: By the late Government? The late Government promised to put through Bills amending that section so as to enable these shares to be issued as fully paid up, and to have been legally issued, which means that all parties recognized, two or three years ago, whenever they (the shares) were issued (or longer than that), that they were illegally issued; every

person recognized it; you must have recognized it, as the Minister of Railways; why did you permit it? It was the only thing that the railway had to build this railroad with, this issue of shares, outside of these guaranteed debentures. A.—I cannot say that I looked upon it as illegal; the advice of the Attorney-General, I think, was taken; he must have been consulted.

Q.—We have not found any such advice; do you say that the Hon. W. J. Bowser advised you, or your Department, that those shares could be issued as fully paid-up shares? A.—I would not say that, no; but the transaction must have been approved.

Q.—We have found no such advice, but we find that there was a promise to amend the Act so as to make it lawful. A.—I would say that that transaction was not dealt with through the Railway Department at all.

Q.—Another matter has come up, Mr. Taylor (T.); and that is that in the very beginning of this business there was a bargain made with Mr. Tate that he should have \$500,000; he called it commission; but he said there was an agreement that he had to use it in a certain way, with the Conservative party, as incidental—as looking after incidentals in the obtaining of the charter rights of this Company; that the money had all been disbursed by him, and he simply refused to say to whom he paid it, or in what amounts he paid it. Were you aware of the fact that there was \$500,000 given to Mr. Tate, as he has sworn? A.—No.

Q.—Never heard of it before? A.—Never heard of it.

Q.—Do you know, as far as you are concerned, where any part of that money went to? A.—I do not know that; I have no knowledge.

Q.—You have no knowledge of what? A.—Beg pardon?

Q.—You have no knowledge of what? A.—Of where any portion of that money went to.

Q.—You never heard that there was any such fund before? A.—No.

Q.—Did you ever know of Mr. Tate, or any person on his behalf, directly or indirectly, paying any money, either before the charter was obtained or afterwards, to the Conservative party? A.—No.

Q.—Or to any Conservative? A.—No.

Q.—Meaning no offence whatever to yourself, but the Government's name has been brought up; did you receive any such money? A.—None whatever.

Q.—Did you receive any money at all from Mr. Tate? A.—None whatever.

Q.—Did you receive any moneys indirectly from Mr. Tate? A.—None whatever.

Q.—Or from the Pacific Great Eastern Railway? A.—None.

Q.—Or from Mr. P. Welch? A.—None.

Q.—Or from Foley, Welch & Stewart? A.—None.

Q.—Or from Mr. J. W. Stewart? A.—None.

Q.—Were you offered any moneys? A.—At no time; never suggested to me.

Q.—No; then if any moneys were received by the Conservative party, or the late Government, or any of its members, it was not told to you? A.—No.

Q.—And, as you say, you were not one of those parties? (No reply.)

Q.—And the first you ever heard of that was when Mr. Tate gave this evidence the other day? A.—Yes.

Q.—I suppose that you were astounded when you heard of it? A.—I don't know what—

Mr. Maclean: Heard what?

Witness: I don't know that my opinion on that point is of any particular value to the Committee.

Mr. Taylor: Well, it is hard to say; but Mr. Thomas has sworn that Mr. Tate has told him to whom he gave those moneys, and the names? A.—Yes.

Q.—No person ever told you the names? A.—No.

Mr. Taylor: That is all.

The Chairman: There are one or two questions I would like to ask you, supplementing the examination of Mr. Taylor. You are familiar with this section 9, subsection (d), of the agreement, Mr. Taylor (T.)? A.—Yes.

Q.—Which provides for the proportion between the amounts to be paid out of the trust funds in relation to the total amount that the road was going to cost? A.—Yes.

Q.—What was your idea of the meaning of that section? A.—Well, my idea was, as outlined in the section of the Act, and as I admitted in examination by Mr. Taylor (S. S.), that the

Department realized that more money had been paid out than was supposed to have been paid out under the Act, because of the abnormal conditions existing at the time.

Q.—Now, that 10 per cent. hold-back which has been referred to would not fulfil the requirements of that section, would it? A.—Well, there is a difference of opinion on that point. I would not say that personally; but there is a difference of opinion between the interpretations placed on it.

Q.—But it could not fulfil the requirements of that section. You never considered that the 10 per cent. hold-back would be within the provisions of that section, did you? A.—I cannot say that I did.

Q.—When you realized, as a member of the Government, that you were paying out of the trust fund in excess of authority, why did you not go to the Legislature at the next session and get authority, instead of not revealing that to the Legislature? A.—I hardly think that it would be my place, if there was any irregularity about it, to place the matter before the Legislature.

Q.—You were the Minister of Railways? A.—M-m.

Q.—Sworn to protect the interests of the Crown? A.—M-m.

Q.—At the session of the Legislature in 1914 you increased by \$7,000 a mile the bonus or the payment to this Railway Company, didn't you? A.—Yes.

Q.—At that time you were illegally paying these moneys out, or the Government? A.—Beg pardon?

Q.—At that time you were illegally paying these moneys out—these trust moneys? A.—Well, I think, as I have just stated, that there is some question as to whether we were.

Q.—But now you realized that they were paying this money out in excess, contrary to the meaning of that section; that amounts in itself to an illegality, doesn't it? A.—Well, I would not like to put any legal interpretation on that section myself.

Q.—Do you consider that when you were paying out of the trust funds in excess of the authority of the Statute, that it was illegal; I am asking for your view as a Minister? A.—Well, I presume that it was a matter in conformity with the Statute; it must have been illegal if it were not.

Q.—You presume that it must have been illegal; that was the inference. Now, I say, do you admit that you recognized it was illegal? I was asking you, therefore, why, in the session of 1914, when you increased the guarantee by \$7,000 a mile, you didn't take the Legislature and the people of this country into your confidence, and tell them that it was an illegal thing that was being done, and that there was no justification for it, and you wanted to get the authority? A.—I was not in charge of the Bill at the time.

Q.—No, but you were the Minister of Railways, and in charge of the Department handling this matter. I will follow that up, Mr. Taylor (T.), and ask you, after the session, and when this matter was expressly brought to the consideration of the Department, and again in the fall of 1914—why you didn't ask for the authority from the Legislature in the session of 1915? A.—All the legislation in connection with the Pacific Great Eastern Railway emanated from the Premier at that time.

Q.—Why did you not insist, as the Minister of Railways, that there should be legislation protecting and vindicating you, as Minister of Railways? A.—I was quite prepared to leave the matter where it was, in Sir Richard McBride's hands.

Q.—You stated—on another point—that if you had known that P. Welch, contractor, was in reality Foley, Welch & Stewart, that you would have insisted on a stricter supervision; I am correct in that, am I not? A.—Yes.

Q.—You did know, Mr. Taylor, that P. Welch was a member of the firm of Foley, Welch & Stewart? A.—Yes, that is so.

Q.—Well, I put it to you that if a stricter supervision were required, if P. Welch was Foley, Welch & Stewart, why should not that same supervision be required with Foley, Welch & Stewart when they made a contract with one of their own members? A.—It was never suggested that there was any connection to me.

Q.—You knew, as a matter of fact, that P. Welch was a member of the firm of Foley, Welch & Stewart; you knew that, of course? A.—Yes.

Q.—Would not the fact that one of the partners was making a contract with himself and his other partners indicate to you, as a Minister, that a stricter supervision should have prevailed?

A.—I would not say so; moreover, I would think that it would occur to the engineer more than to myself.

Q.—The engineer is only an official; you are the responsible Minister? A.—It certainly never occurred to me, and to my mind the position was as stated by me.

The Chairman: That is all I have to ask.

Mr. Hall: Mr. Taylor (T.), you knew the unit prices, I presume, that were settled on between Mr. Welch and the Railway Company? A.—Well, I saw the unit prices that were given in the contract.

Q.—Do you know that they were excessive? A.—No, I do not.

Q.—Was it ever drawn to your attention? A.—No; I do not recall that it was.

Q.—Well, would you think over it a little more before you state that definitely? A.—Without looking the files over, I cannot recall any time that it was drawn to my attention.

Q.—Did you ever have any idea in any way that those prices were excessive? A.—I cannot recall at the present time that I ever had any information about that.

Q.—Were they excessive? A.—I cannot say that they were.

Q.—Have you any opinion on it, one way or the other?

Mr. Maclean: He has stated that clearly enough.

Mr. Hall: Now, Mr. Taylor (T.)— A.—I simply have to say, as I said before, that I cannot say that they were excessive.

Q.—You were, of course, in charge of the Department, were you not? A.—Yes.

Q.—On the 2nd of December, 1912, a letter was written in which these words are used—
Exhibit 204.

Mr. Taylor: By whom, what is the name?

Mr. Hall: By Mr. Gamble, chief engineer.

Witness: Who is it written to?

Mr. Hall: I am reading this—I will just ask you my question: "As these prices are very much in excess of those for similar work generally prevailing on the Coast, I will be glad if you will be good enough to instruct me as to my proper course in this matter." It is a letter asking for instruction. Possibly, in order to be fair, I should give you the connection: "The Pacific Great Eastern Railway Company, through Mr. D'Arcy Tate, vice-president, has submitted an estimate amounting to \$218,822.12 for 7.6 miles of the constructed portion of the Howe Sound & Northern Railway, purchased by the Company which he represents. He asks that this sum be released under subsection (d), section 9, and section 15 of chapter 34, 1912. This latter section provides that purchase mileage shall be computed as constructed mileage. In submitting this estimate the Pacific Great Eastern Railway Company have applied for Mr. Welch's contract prices for the construction of that railway. I am informed by Mr. Tate that at the time arrangements were made for the purchase of the Howe Sound & Northern Railway, it was understood that Mr. Welch's prices should apply, and refers me to you for corroboration thereof." And that statement, I presume, is correct: "It was understood that Mr. Welch's prices should be charged for the Howe Sound & Northern Railway work"? A.—Yes.

Q.—You said yes? A.—I think that is right, according to what I recollect.

Q.—Following on with the letter: "As these prices are very much in excess of those for similar work generally prevailing on the Coast, I would be glad if you will be good enough to instruct me as to my proper course in this matter." Now, who should that letter be written to first? A.—I should think it should have been written to myself as the Minister of Railways.

Q.—Yes; did you ever know of that letter before? A.—I cannot recall it; I have no recollection of it at present.

Q.—You never knew that those prices were excessive? A.—No.

Q.—That letter was written to the Hon. Sir Richard McBride. And I might point out, for the purpose of the record, that this is a copy of the letter, and it is dated the 2nd of December, 1912. It was read into the notes (page 1245; see printed page 456) as 2nd of December, 1913. Have you anything more to say about those excessive prices? A.—No; I say, as I said before, that I had no idea that the prices were excessive.

Mr. Davis: The letter does not state that the prices were excessive. They might be higher than other prices which were allowed, but in a certain place, and under different circumstances, the prices might be quite moderate.

Mr. Hall: Apparently Mr. Taylor (T.) didn't take that position.

Q.—Do you remember who signed this contract with Foley, Welch & Stewart? A.—The contract must be here.

Q.—Do you remember it? A.—No, I cannot recall it; it was years ago.

Q.—It was signed by Sir Richard McBride; do you remember where you were when that was signed? A.—No; that I cannot say.

Q.—You were not in Victoria, anyway? A.—I could not say.

Q.—You don't know? A.—I do not recollect.

Q.—Do you mean to tell me, Mr. Taylor, that you cannot say where you were? A.—No, I cannot say, possibly—I don't know whether I was here or in Vancouver.

Q.—You might have been in Vancouver? A.—Might have been.

Q.—It might have been signed, then, without your knowing anything about it? A.—Might have.

The Chairman: Was it signed without your knowing anything about it? A.—Oh, no. I should say the contract was discussed by the Executive Council.

Mr. Hanes: Were you present at the meeting of the Executive Council when the contract was discussed before it was actually signed? A.—That is my recollection.

Q.—And the Executive Council did discuss it, and decided to agree to let Mr. Welch have the contract? A.—That is my recollection.

Mr. Hall: Mr. Gamble gave some evidence, Mr. Taylor, as to the depreciation on the Pacific Great Eastern Railway as compared to the depreciation on the C.N.R. Island road; would you say that there would be any difference in depreciation? A.—I would not like to offer an opinion on that. I would say that I would like to take the expression of opinion of the engineer rather than venture an opinion myself.

Q.—Did you ever take his opinion on it? A.—I would rather take his opinion on all matters.

Q.—What have you to say as to depreciation on the Island, the Alberni branch? A.—Beg pardon?

(Question repeated.) A.—I would not like to say that there would be depreciation.

Q.—At the inception, or at the time when these moneys were paid out, or at the very beginning when payments were to be made out of the Pacific Great Eastern trust funds, Mr. Tate said he took the matter up with Sir Richard McBride, and, I think, with Mr. Bowser also, as I remember it, and said that they were required to be treated in the same way as the C.N.; do you know anything about that position being taken by him? A.—Why, I cannot recollect that question coming into the matter at all.

Q.—Well, is that statement correct; were the C.N. treated in the way that the Pacific Great Eastern Railway was treated with respect to these payments? A.—Well, I would not like to give you an offhand answer; I would like to have reference to the certificates before I would say that.

Q.—You were the Minister of Railways, Mr. Taylor; it seems quite a simple question. A.—I do not think that I would care to give an answer without reference to the files.

Q.—You say that you do not remember, Mr. Taylor? A.—I cannot say that I do.

The Chairman: Do I understand that you don't remember? A.—Yes.

Mr. Hall: Surely, in a matter of importance like that, it must have been discussed time and time again; do you say that you cannot remember a matter like that, Mr. Taylor? A.—Well, I gave you my answer; I cannot recall if there was any mention of the C.N. in my presence.

Q.—That was not the question. Mr. Tate says that one of the reasons why this amount, why these payments were made out of the trust funds in that way, was because he said this Company, the Pacific Great Eastern Railway Company, should be treated in the same way that the C.N. was treated. Now, I am asking you if that position or reason was a valid one; that is, were the C.N. treated in the way that the Pacific Great Eastern Railway are or have been treated? A.—To what particular way do you refer?

Q.—That from the inception of the contract, payments were made out of the entire funds, less 10 per cent. contractor's hold-back? A.—You want to know if the same practice was followed on the C.N.?

Q.—Yes. A.—As far as my recollection goes, the same practice was followed.

Q.—Don't you know, Mr. Taylor? A.—I don't know positively, and I am on oath; I would not like to give a definite answer without reference to the files.

Mr. Hanes: I would like to ask Mr. Taylor (T.) what other members of the Executive were present when this contract was being discussed? A.—I hardly think that that is a question that I can answer. I presume that all the Executive were present, but at this time it would be impossible for me to recall who were present.

Q.—You think that probably at the time they were all present? A.—I think so.

Mr. Taylor: Was Mr. P. Welch before the Executive when the contract was discussed? A.—I don't think so.

Q.—Who represented him? A.—I don't know that there was anybody representing him.

Q.—Was Mr. Tate before the Executive when the contract was discussed; I am referring now to the P. Welch contract? A.—I don't think he was. My recollection is that when the contract was discussed in the Executive Council, at which I was present, there were no members or representatives of the Company there.

Q.—They first made the contract and then inquired as to what the proper unit prices would be? A.—I think that would all be discussed with Mr. Gamble.

Q.—Mr. Gamble has given us the letter, from which it appears that the prices were in excess of prices prevailing at the Coast? A.—He didn't tell me.

Mr. Pooley: That letter was written to Sir Richard McBride.

Mr. Taylor: That means the Executive of the Government. That was in 1912.

Witness: 1913.

Mr. Maclean: A long time afterwards.

Mr. Taylor: Pardon me, 1912. That letter was written in 1912.

Mr. Pooley: Some months after the contract, Mr. Taylor.

Mr. Taylor: That letter was written advising you, in 1912, after the prices were settled, and I may tell you before the specifications were settled; they were not given to the Department till February 26th, 1913; that is shown by an exhibit that we have here. A.—That letter was not written to me, Mr. Taylor.

Q.—You say that the engineer settled the prices? A.—I say that letter you refer to was not written to me.

Q.—We will produce the letter. That is Mr. Gamble's letter, written after these unit prices were settled, and Mr. Gamble could not have had a different opinion before that time, could he; this is his opinion after the unit prices were settled. You said that Mr. Gamble was the only man that advised your Executive as to those unit prices. Now, I say, did you have, in view of Mr. Gamble's opinion, as expressed a few months afterwards, in 1912, do you say that you had any justification for those unit prices? The authority which you have given was against you. Mr. Gamble says they were in excess of the usual prices.

Mr. Davis: He doesn't say that at all.

Mr. Taylor: Apparently we will have to have the documents before us.

Mr. Davis: The document is there, and it does not make that statement.

Mr. Taylor: We do not have to depend upon any person's opinion—we will read it.

The Chairman (quoting from letter): "As these prices are very much in excess, etc.

Mr. Taylor: On the 2nd day of December, 1912, before the work was really started, before the first estimate was given, December 2nd, 1912, Mr. Gamble says this—and he is the man that is supposed to have advised you, and the only man you, meaning the Government and the Executive, had before you, as to the unit prices. He is the only man that advised you, and on December 2nd, after those unit prices had been established, this is his opinion: "As these prices are very much in excess of those for similar work generally prevailing on the Coast"—similar work, mark you—"very much in excess," mark you—the adjectives. I will read it again: "As these prices are very much in excess of those for similar work generally prevailing on the Coast, I will be glad if you will be good enough to instruct me as to my proper course in this matter." In other words, "I will take no responsibility until I get the Minister's authority." Now, there is the man that advised you as to the unit prices when you were entering into this contract, and according to your statement the only man that advised you, and there is his question, as to whether the prices were settled. Why didn't you make some independent inquiry or investigation before you authorized P. Welch to get any such prices? A.—I have only to say that the letter was not directed to me.

Q.—Now, Mr. Taylor (T.), you are not so opaque as not to see my question. You tell me that the only authority you had was Mr. Gamble to justify you in allowing P. Welch to get

those unit prices. Now I tell you that Mr. Gamble has given his opinion in a letter after those prices were established, and his opinion at the time that he advised you must have been the same opinion that he always had, believing him to be an honest man—and he is an honest man, Mr. Gamble, I am pleased to say, and tells the truth—and his opinion therefore must have been the same at the time that those prices were very much in excess of prices paid for similar work; having advised you, therefore, that they were very much in excess of those for similar work, he must have advised you that at the time; he didn't say something different afterwards. How do you justify giving P. Welch those prices; and you are not so opaque as not to see that question? A.—I quite understand what you mean.

Q.—Yes? A.—While he says “similar prices,” he makes no reference in his letter to conditions which prevail.

Q.—Pardon me; he is talking about a part of this road, the Howe Sound & Northern Railway part of it—“very much in excess of those for similar work.” A.—He makes no reference to any conditions; the conditions of transportation, for instance, which were very very different in comparison with those on the C.N.

Q.—We have discussed that question of transportation, Mr. Taylor; and we find lower prices all along the Thompson River, right up to Tete Jaune Cache, where there was no system of transportation, except for some few miles by steamboat during a limited part of the year, and the C.N. construction going on at practically the same time at very much lower prices.

Mr. Maclean: There was also evidence that it was not similar work.

Mr. Taylor: And on this particular work you have magnificent rock-work; you have established roads and trails, and a railroad at each end, and tide-water on one end, forty miles from one end; and you have the C.P.R. coming into Lytton; and you have a settled country from Lillooet up. A.—How about the Squamish end?

Q.—We are not discussing that. There is Mr. Gamble's opinion after these unit prices were settled; do you still pretend to say that he gave you a different opinion when you were making P. Welch's contract. A.—No, I cannot say that he did.

Q.—That being his opinion, without getting into an argument, how do you justify giving P. Welch the prices you did; have you any reason you will give now. A.—I have no reason; I say that that letter which has been quoted was not addressed to me. I knew nothing about there being excessive prices, if there were.

Q.—Well, we will eliminate the letter, except in so far that it shows what Mr. Gamble's opinion was at the time, and which it must therefore have been at the time when it was before the Executive. Now, we will eliminate the letter? A.—Yes.

Q.—Except in the manner I stated. A.—Well, Mr. Gamble never expressed any such opinion to me.

Q.—But he never expressed any opinion contrary to that, did he; he is not the man, I mean, that gives two different opinions on different occasions? A.—No; I do not mean to infer that, for a moment.

Q.—Then he never expressed any opinion to you that these prices were otherwise than excessive? A.—No; nor did he express an opinion that they were excessive.

Q.—Then you had no person's opinion, when you allowed P. Welch to get the contract, that those prices were excessive or not? A.—I must say that the Executive Council decided on the matter; and whether somebody else had access to information or not, I don't know.

Q.—We are talking about an expert's opinion; you said you had Mr. Gamble's advice, and we have dealt with that and exhausted it, and that is out of the question now. Then I say you had no other expert advice as to that subject-matter? A.—No, outside of Mr. Gamble's.

Q.—P. Welch had just got such a grip of the Government, by virtue of something or other, that presumably anything would go through; that is the suggestion? A.—No, I don't think so at all. I had no knowledge of any grip that Mr. Welch had on the Government.

Q.—You allowed him to construct that road without any supervision practically, with no check; to give in any estimates he liked; to draw what money he liked; to disregard the Statute as to proportion; to get \$5,704,000 more than he was entitled to; to pay him for four miles more than there was in the actual location of the road; to pay him for mileage that he never touched, and to pay him for mileage he never completed; and still you say you do not think he has a grip on the Government; is that right? A.—That is your way of putting it.

Q.—What do you say about it? That is the indictment; what do you say about it?
A.—He had no grip, as far as I know, on the Government, or any member of the Government.

The Chairman: When the C.N.R. sub-contracts were let, they were let by public tender, weren't they? A.—Yes.

Q.—Why was not that course followed in this road? A.—Well, I am of the opinion that the Government felt, in Mr. Welch taking over the contract, and knowing his ability as a railway contractor—through the different works that he had carried out in British Columbia on the Grand Trunk Pacific and other railways, that he would be probably better fitted to carry out the contract than anybody else.

Mr. Hall: Just one question; do I understand, Mr. Taylor (T.), that those unit prices were never discussed with you at all? A.—I cannot say that; I think that the Executive Council would discuss them. I am quite sure we did; but I have not got the matter very clear in my mind at present.

Q.—They might have been discussed in the Executive Council after December 2nd, 1912, then; that is right? A.—I think so, yes.

Mr. Taylor: I would like to call Mr. Gamble.

F. C. GAMBLE, witness, recalled on behalf of the Department of Railways, being resworn, testifies as follows:—

Mr. Taylor: Mr. Gamble, referring to Exhibit 194, dated the 4th day of April, 1917, which is your letter to Mr. F. W. Anderson, a member of the Legislature, attached to which are three sheets showing the final estimated cost of the railroad, the Pacific Great Eastern Railway, between the Second Narrows, Burrard Inlet, and Fort George. You show— A.—That is not my estimate.

Q.—You show in the first estimate—in this first sheet—it shows the first estimate of cost made up, an estimate made in 1913, as at \$27,811,927.40; or an average cost per mile of \$58,014. A.—But that does not include the rolling-stock.

Q.—It does not include the rolling-stock and equipment? A.—No.

Q.—Was that first estimate of 1913 made up by you? A.—No.

Q.—By whom? A.—I think it was made by Mr. Calland, if I mistake not; and it was sent to Sir Richard McBride.

Q.—Yes. A.—Then the surveys had not been completed. They had no definite information then.

Q.—Well, it was based on 479.4 miles? A.—Yes.

Q.—Then the second one is the one we are really dealing with to-day? A.—Yes.

Q.—That is your production—your work? A.—Yes.

Q.—The second estimate was made in 1917, showing the total value of the work performed as per Estimate 41 as being \$18,000,000; and the estimated cost to build, \$10,779,203; total of \$28,779,203; this estimate including the rolling-stock and equipment, being an average for 476.1 miles of \$60,448 per mile. To make up that \$19,779,203 you have attached a further sheet, giving the particulars. And it is in order to get that that we have recalled you. How did you come to make up this estimate; upon what data? A.—From what was in my possession, and from information, and from my judgment and experience of roads in a similar condition, extending over forty-eight years.

Q.—Did you make a thorough inspection of the road from one end to the other? A.—Well, not before that.

Q.—Not before making this estimate? A.—No. I only gave it to Mr. Anderson here at his request.

Q.—Therefore this estimate is made up of what—observations? A.—Well, from calculations, and observations, and experience.

Q.—Did you make an observation of the whole of the road prior to making this estimate? A.—I made observations of other roads for the purpose of comparison.

Q.—What other roads? A.—Well, there is the other part of the P.G.E. above Squamish; the Canadian Northern Pacific above Hope; the Great Northern Railway in Washington; the Kettle Valley Road, and the Grand Trunk Pacific.

Q.—You say you made an inspection of those roads? A.—Not an inspection of the roads, but an inspection of the information about those roads.

Q.—Exactly. It would give you a reasonably fair idea of what it would cost you to build this Pacific Great Eastern? A.—Yes, a reasonably fair idea.

Q.—And that would give you a reasonably fair idea of what the proper unit price would be? A.—Yes; but that estimate is based on the prices of Mr. Welch.

Q.—On Mr. Welch's prices? A.—Yes, except the 1-foot rails and that sort of thing. It is more than Mr. Welch's prices.

Q.—Yes; on account of those prices having increased. The steel prices have been advanced very materially? A.—Yes, they have advanced.

Q.—Well, those are the features we wanted to get; and some others. I see, after you have gone through several large items, you come to some particular items such as roundhouses and shops—\$200,000? A.—Yes.

Q.—Well, how did you arrive at that price? A.—From information I had.

Q.—From whom? A.—From text-books and information from other sources; and from information I had about the cost of turntables, and that sort of thing.

Q.—Well, did you inspect their particular plans, and that sort of thing, or were you guided by other plans? A.—I never had anything to do with the plans.

Q.—You would say it would mean the proper roundhouses and things? A.—Yes.

Q.—Were you relying in any sense on information that you got on these matters from Mr. Calland, or from Messrs. Foley, Welch & Stewart? A.—No; I just put down the average cost of a similar road. You know roads may vary, and they do vary according to the—

Q.—Oh, yes, I understand that. A.—According to the particular predilections of the engineer or the superintendent. He may vary those, or go ahead with them according—

Q.—According to his plans and specifications? A.—Yes. And those are drawn and prepared by the engineer.

Q.—“Building of roundhouses and shops”; you were not dealing, I suppose, with brick or stone roundhouses? A.—I was dealing with the ordinary roundhouse—frame superstructure and concrete—

Q.—Concrete base? A.—Yes.

Q.—And concrete foundations? A.—Yes; and concrete pits.

Q.—And concrete pits? A.—Yes.

Q.—The balance being frame? A.—Yes—being frame.

Q.—You will admit, I think, that the C.P.R. are replacing their roundhouses with concrete entirely? A.—Yes.

Q.—All concrete? A.—Yes; it is the usual way; not to go to too much expense at the beginning, and then they renew them afterwards.

Q.—And those roundhouses that you have here would be wooden? A.—Would be the first cost—on a concrete base.

Q.—But after a while that would not be first-class railroading construction? A.—Not in the end.

Q.—The same would apply to your water and fuel stations? A.—No; those would be the best we have.

Q.—The construction is what? A.—Probably the water-tanks would be wood slats, you know.

Q.—Yes; staves. A.—And they are built on concrete foundations and have iron spouts; and in some instances they would have pumps, and in places they would be fed by gravity.

Q.—And pumps were necessary? A.—Yes.

Q.—The station buildings; you did not mean that they are brick and stone? A.—No; frame. They vary from \$1,000 up to \$6,000.

Q.—And that kind would be only temporary or early construction? A.—No.

Q.—It would not be first-class railroad-construction? A.—It would not be for many years that they would be built of brick. They would be like other stations along the road. They renew the large stations with brick.

Mr. Pooley: You mean the C.P.R. do? A.—Yes, the C.P.R.

Mr. Taylor: And the American systems are all renewing theirs with brick and stone? A.—Yes.

Q.—Now, the telegraph system; what kind of a telegraph-line had you in mind in this system? A.—That would be equipped with maybe a telephone-wire. I don't know how they were going to operate it, but that would cover it.

Q.—Is it standard poles—good-sized cedar poles? A.—Yes.

Q.—And first-class wires? A.—Yes; and cross-arms.

Q.—And insulation? A.—Yes.

Q.—A first-class telegraph-line? A.—Yes, a first-class telegraph-line. I think I am a little under there, I think. I put it down at \$251 a mile.

Q.—And it should be what? A.—And since the prices have gone up, the telephone-man told me the other day it would cost \$300.

Q.—Now, as a matter of fact, without going into too much detail, we simply want to get the basis of this estimate. As a matter of fact, have the Railway Company up till to-day in any sense constructed a permanent first-class telegraph-line? A.—Well, they have got up one pole and arm and wire. I fancy it would do if they—

Q.—Well, is it first class, or is it simply makeshift? A.—No; it is very well built where I have seen it.

Q.—Just as good as the C.P.R. construction? A.—Yes, just as good as the C.P.R. construction.

Q.—The rolling-stock and equipment; do you mean the present-day prices when you put it at \$2,232,000? A.—Whenever they are making an estimate of the cost of equipping a railroad they have the approximate cost per mile; that is \$5,000 a mile about; that equips a road with all the necessary engines, cars, box cars, flat cars, passenger-cars, and Pullman.

Q.—It would not do that now, would it—to-day? A.—No, it would not—not by nearly 100 per cent.

Q.—Nearly double now? A.—Yes, nearly double that now.

Q.—And in your opinion it will go down again after the declaration of peace? A.—Oh, now, you are asking me something that no one can tell. I hope so, though.

Q.—You see that is an important thing. It may be an important thing in the interest of the public, and it may be better not to proceed with the construction until after the declaration of peace? A.—Perhaps so.

Q.—It might be cheaper to pay interest. A.—On the money they have already spent?

Q.—Yes; it might be cheaper than to waste money on those high prices of labour and steel and build the road at these high prices? A.—No; you mean partially equip the road; but where you are going to get caught—or where the Government will get caught is by not having the steel for those steel trestles.

Q.—And steel rails? A.—Yes; but they have already bought the rails.

Q.—They have? A.—Yes. They have already been placed.

Q.—And the rolling-stock and equipment are subject to those high prices? A.—I will just tell you the difference now in the cost. A consolidated grade of engine before the war cost \$18,000, and to-day it costs \$36,000.

Q.—The rolling-stock and equipment that you have put down here at \$2,232,929 is fixed at prices as they existed before the war? A.—Yes, as they existed before the war.

Q.—That item would then be \$2,330,000 more than you have got there? A.—Yes.

Q.—Your \$10,779,000 would be then \$13,100,000 or \$200,000? A.—Yes.

Q.—There would be that difference in that one item alone? A.—Yes.

Q.—Now, have you got all the rails—the yard-rails and everything included in here? A.—Yes.

Q.—You say the Government have bought all the rails? A.—Yes, they have bought all the rails. They placed the order just the other day.

Q.—It was not just the other day exactly; it is quite a while ago. A.—It is a couple of months ago.

Q.—It is longer than that. The Government guaranteed—— A.—Oh, your Government has been in here—I forgot that.

Mr. Davis: Time goes quickly.

Mr. Taylor: It was quite a while ago that that guarantee was given? A.—Yes; four or five months ago. No, no.

Q.—We have got it all here.

Mr. Maclean: Let him correct himself.

Witness: It was decided upon by Mr. Oliver—whether they would accept the specifications.

Mr. Taylor: It is all filed. A.—Oh, you have got it, have you?

Q.—Yes, it is all filed. But I was not asking you about that. What I ask is, did that guarantee of \$2,589,728 cover all of the yard-rails? A.—Yes, but something else may come up.

Q.—That is all I was getting at. Now, "Bridges and culverts"; and I see you have got there the steel for the bridges and culverts. "Bridges and culverts, including steel bridges." You put this at \$2,297,776? A.—Yes.

Q.—How much would the steel bridges be alone? A.—I take it, at the increased prices that might be 11½ cents a pound, it would be \$1,150,000.

Q.—At the increased prices? A.—Yes.

Q.—Well, out of this \$2,297,776—that item called "bridges and culverts, including steel bridges"; how much of that item that you have here on this exhibit is covered by steel bridges? A.—\$1,250,000.

Q.—\$1,250,000? A.—Yes.

Q.—Of this \$2,297,776? A.—Yes.

Q.—Now, that \$1,250,000 would be practically \$1,250,000 now? A.—No.

Q.—What is it now? A.—The last trade journals say you cannot place these orders now; and you cannot get them. There is an upward tendency in the market all the time.

Q.—How much has that cost advanced over your \$1,250,000 to-day? A.—I could not say.

Q.—50 or 100 per cent. A.—Not to-day. I would think it is up in the tendency now of 25 per cent.

Q.—Over that \$1,250,000 cost? A.—Yes.

Q.—25 per cent. increase? A.—Yes.

Q.—That being so, that adds some \$300,000-odd if it has gone up 25 per cent. All right, thank you. Oh, I want to ask you another thing with regard to what Mr. Thomas Taylor has been referring to. You have in mind this letter that you wrote on the 2nd December, 1912, to Sir Richard McBride, in which these words are contained: "As these prices are very much in excess of those for similar work generally prevailing on the Coast, I will be glad if you will be good enough to instruct me as to my proper course in this matter." Is it true, or is Mr. Taylor in any way mistaken, that you in any way advised the Government prior to that as to P. Welch's unit prices? A.—Never. I never saw them until I got it from the contract.

Q.—The contract was signed and settled before you ever heard of P. Welch's unit prices? A.—Yes.

Mr. Thos. Taylor: I only gave that as my impression.

Mr. Hall: Did Mr. Gamble ever discuss these unit prices with Mr. Taylor?

Mr. Taylor: Did you ever discuss those unit prices with Mr. Taylor at any time? A.—No. I never did.

Q.—Why not? A.—I cannot tell you why. I know that I did not.

Q.—Well, I suppose for the reasons you gave before—I suppose that covers it. A.—Exactly. Can I go now?

Q.—Yes, if you are good, I think you can go.

(Witness aside.)

The Chairman: Mr. Taylor, you were not here when some books disappeared from the office of Mr. Stewart in Vancouver. Mr. Cromie came over here without the books, and he has now here, I understand, the other two persons who are engaged in the same office, in order that we can find out what they know about those books.

Miss N. DWYER, witness, duly sworn, testifies as follows:—

Mr. Taylor: What is your full name? A.—Nan Dwyer.

Q.—Dwyer? A.—Yes.

Q.—And your first name? A.—Nan.

Q.—What position do you hold, Miss Dwyer? A.—Stenographer in Foley, Welch & Stewart's office in Vancouver.

Q.—How long have you been there? A.—About eleven months.

Q.—Who is the person in your office who is your superior? A.—Well, I really work under Mr. Cromie.

Q.—Mr. Cromie. Did you have anything to do with Mr. Donald McLeod? A.—Yes; I had a portion of his work.

Q.—Had he any other stenographer except you? A.—No, not that I know of.

Q.—Do you know anything about Private Ledger No. 1, and Private Ledger No. 2, and Private Ledger No. 3 of Foley, Welch & Stewart's? A.—No, I don't.

The Chairman: That was not the book that we were after of Mr. Cromie. It was the cheque-books of Mr. Stewart.

Mr. Taylor: Do you know anything about the books of Mr. Stewart? A.—No; I did not have anything to do with them.

Q.—Do you know where they are? A.—No, I did not.

Q.—Do you not know where those books are? A.—No, I don't.

Q.—When did you last see them? A.—Well, I cannot say that I ever had any connection with them. They might possibly be in the vault with several others, but I would go in there and not pay any attention to them.

Q.—Do you know of their being removed? A.—Well, I cannot say that I do. There might have been some of them removed. There might be a vacancy in the vault.

Q.—Did you hear that any of them were removed—any of his books at all? A.—No; I did not hear any more than what I read in the papers.

Q.—Did you understand in the office that any had been removed? A.—No, I did not.

Q.—Did you see any preparations being made to remove any papers or any books or cheques from the office? A.—No.

Q.—Did you see any vacancy in the vault where the papers and books of Mr. Stewart had formerly been? A.—I saw a vacancy where there had been some books; but I could not say they were Mr. Stewart's.

Q.—About how many books, would you judge, are not there that were there formerly?

A.—There was only one that I really noticed there was a vacancy of—one large ledger.

Q.—And you did not see it go out of the office, of course? A.—No, I did not.

Q.—When did you notice that that ledger was not there? When did you first notice that? A.—I think I first noticed it yesterday morning.

Q.—Did you have to make any entries in that ledger yourself? A.—No, I did not.

Q.—What is that ledger known as or called in the office? A.—I don't know what it was really called, only the initials were "F. W. & W." on the back of it.

Q.—F. W. S.? A.—"F. W. & S."

Q.—Oh, yes, Foley, Welch & Stewart. Was there nothing else on the ledger except "Ledger—F. W. S."? A.—No. I never noticed anything except the initials "F. W. & S."

Q.—Who was it who used to make the entries in that book and have to do with it? A.—I cannot say that I ever saw any one make any entries in it.

Q.—I beg your pardon? A.—I cannot say I ever saw any one make an entry in it.

Q.—Who was the book-keeper who made the entries in the ledger? A.—Well, those books were not being used in my time in the office as far as I know.

Q.—So that you don't know who made the entries in that book? A.—No.

Q.—You never looked in those books yourself? A.—No. I had no occasion to.

Q.—And yesterday you say you missed it out of the office? A.—No; I noticed in the paper yesterday morning that Mr. Cromie had been asked to bring the books over; and when I was in the office I just noticed that that space was there.

Q.—That was when you opened up the vault. Do you open the vault, Miss Dwyer? A.—Yes.

Q.—You know the combination? A.—Yes.

Q.—Who closes the vault at night? A.—Well, sometimes I close it; whoever is the last in the office usually does.

Q.—Who else has the combination in the office of it besides yourself? A.—Myself, Mr. McLeod, Mr. Estabrook, and Mr. Cromie.

Q.—Is Mr. Estabrook here? A.—Yes.

Q.—And Mr. R. J. Cromie? A.—Yes.

Q.—And Mr. McLeod—that is Mr. Donald McLeod? A.—Yes.

Q.—And Mr. R. J. Cromie and Mr. Estabrook and yourself? A.—Yes.

Q.—For what purpose do you have the vault combination? A.—Well, as a rule, I am there first in the morning, and that is one of the reasons.

Q.—And you open it up? A.—Yes.

Q.—And did you close it the night before last?

The Chairman: I think it was Monday night—

Mr. Taylor: Let me see; this is Tuesday—no——

The Chairman: No; this is Friday; and I think it was Monday night when Mr. Cromie suggests those books were taken out.

Mr. Taylor: Have you closed that vault every night this week? A.—I cannot say every night, but I have closed it.

Q.—Well, what nights during this week did you close the vault? A.—I think I closed it Tuesday and Wednesday night.

Q.—Tuesday and Wednesday——

Mr. Pooley: Tuesday or Wednesday.

Mr. Taylor: No; Tuesday and Wednesday. Miss Dwyer, you said Tuesday and Wednesday night? A.—Yes, Tuesday and Wednesday.

Q.—And who closed it on Monday night? A.—I don't know.

Q.—Did you? A.—No, I did not.

Q.—Was that ledger there on Tuesday and Wednesday night when you closed the vault? A.—I could not say positively.

Q.—Well, was it on Thursday morning you noticed it was not there? A.—Yes, that was the time.

Q.—That was the first time, Miss Dwyer, that you noticed it was not there? A.—Yes, that was the first time.

Q.—And you had closed the vault on the night before—Wednesday night—and you had not noticed that this vacant place existed? A.—I had not noticed it.

Q.—I beg your pardon? A.—I had not noticed it.

Q.—You had not noticed it. And do I understand you to say you don't know whether that vacant space was there the night before or not? A.—No, I could not say positively.

Q.—You could not say positively whether the ledger was there the night before or not? A.—No.

Q.—But you did notice on Thursday morning it was not there? A.—Yes.

Q.—Did you notice that by virtue of the evidence given by Mr. Cromie, and by virtue of Mr. Cromie being subpoenaed, or did you notice it without anything being suggested to your mind? A.—No; I noticed it from something I had seen in the paper.

Q.—Having noticed something in the paper, you noticed it? A.—Yes.

Q.—And did you have any conversation with Mr. Cromie as to why it was not there? A.—No.

Q.—Or with any one else in the office? A.—No.

Q.—Did you hear why in conversation with any one? A.—No, I did not.

Q.—Has there been any explanation given you as to why it is not there? A.—No.

Q.—You are there in the office from what time in the morning until what hour in the evening? A.—Usually from 8 o'clock until around 5 o'clock.

Q.—And you say you are the first there, and are you the last to leave? A.—I know I am not always the last to leave; but I am usually the first down.

Mr. Pooley: You say you are usually the first out?

Mr. Taylor: No; the other way about; she is the first in.

Q.—And who is the last one out? A.—I could not say. The other men are usually in the office when I leave.

Q.—I understand you are the only young lady in the office? A.—Yes.

Q.—Do you know of any papers, being vouchers, cheques, or anything of that sort, having been there, and their places being now vacant? A.—No, I don't.

Q.—Did you take any letters from any person in the office—say, from Mr. McLeod, or Mr. Cromie, or Mr. Estabrook, or any person else, written to any person as to any of those ledgers or vouchers? A.—No, I did not.

Q.—Or any telegrams? A.—No.

Q.—Nothing in writing. Have you taken any stenographer's work in respect of them? A.—No, I have not.

Q.—Nothing has been dictated to you in respect of this Pacific Great Eastern Railway inquiry, which is before this Legislative Committee? A.—Well, there might have been a letter really going into some minor details of it written.

Q.—Well, just tell me really what letter has been dictated to you during the last two weeks with respect to the Pacific Great Eastern inquiry? A.—I don't know that there has been any dictated during the last two weeks.

Q.—Has there been anything dictated to you in any way referring to the disposition of any papers or books? A.—No.

Q.—Or disposing of them? A.—No.

Q.—Or the hiding of any testimony? A.—No, nothing whatever.

Q.—Or the going away of Mr. McLeod? A.—No; but Mr. McLeod told me he was going to St. Paul.

Q.—When did he tell you that? A.—Well, he said something about it three weeks ago; and at different times he has said something in relation to it.

Q.—He frequently does go, I suppose, to St. Paul? A.—Well, no; but I understand that this is a particular lawsuit.

Q.—And Foley Bros.—the Foleys, who are the persons largely interested in Foley, Welch & Stewart, reside in St. Paul, don't they? A.—I believe Foley Bros. reside there.

Q.—And Foley Bros., Welch & Stewart have an office in St. Paul, haven't they? A.—I could not say.

Q.—You have never corresponded with that office? A.—No, not with Foley Bros., Welch & Stewart.

Q.—Now, Mr. McLeod told you last—or when did he last tell you he was going away—Mr. Donald McLeod? A.—I believe it was last Saturday.

Q.—That would be April 14th. A.—April 14th.

Q.—Yes—we will make sure of that; yes, that is correct; Saturday, April 14th, he told you that? A.—Yes.

Q.—In the office? A.—In the office.

Q.—What did he say? A.—Well, he had been in correspondence with regard to this lawsuit, and he said he might go at any minute.

Q.—And what else did he say? A.—Well, I don't know if he said anything else. I asked him how long he would be away, and he said possibly ten days; but he could not say definitely.

Q.—And when did he, as a matter of fact, go? When did you last see him in the office? A.—Monday afternoon, I believe.

Q.—That would be Monday, the 16th? A.—Yes.

Q.—What time? A.—Well, I would not like to say what time it was.

Q.—On Monday morning about 9 o'clock you signed for a telegram that was sent by Mr. F. W. Anderson, the Secretary of this Committee, as such Secretary, to Mr. Donald McLeod, requesting his attendance before this Committee, didn't you? A.—Well, I don't know what telegram I would sign for, because I would merely sign for them and hand them over to whoever was in the office in charge.

Q.—I will just show this to you, Miss Dwyer. This is the telegram you signed for, and this is the report of signature. I will read the telegram to you:—

“Victoria, B.C., April 16th, 1917. Rush. Donald McLeod, Foley, Welch & Stewart. Vancouver. You are requested to attend the meeting of the Select Committee *re* P.G.E. Ry. to be held in the Members' Room, Parliament Buildings, Victoria, at 10 a.m., Tuesday, 17th inst.—F. W. ANDERSON, Secretary of Select Committee.”

I guess I am wrong there. The report is “Yours of 16th inst. D. McLeod, signed Anderson, delivered 9.22 this a.m. N. Dwyer signed for same, April 17th, 1917.” That would be correct?

A.—Yes, it would be correct that I signed for the telegram.

The Chairman: That telegram was sent Monday afternoon?

The Secretary: Yes.

The Chairman: Yes. Right after the House rose.

Mr. Pooley: Have you ever seen that telegram before? A.—No, I have not.

Q.—Or ever heard of it before? A.—No.

Mr. Taylor: You signed for the telegram, though? A.—Yes; I sign for various telegrams, but I don't open them.

Q.—And I understand that you did not open this one up? A.—No.

Q.—Who did you deliver that telegram to that you received? A.—Well, I received for Mr. McLeod on Monday afternoon three telegrams, which I left on his desk, when he was out.

Q.—As a matter of fact, when did he leave Vancouver? A.—Well, I could not say that.

Q.—You last saw him at what time? A.—I last saw him on Monday afternoon; I could not say what time, because he was in and out Monday afternoon, and I would not say as to what time it was I last saw him.

Q.—What time do you think you would be safe in saying was the last time you saw him on Monday afternoon? A.—I think I saw him, say, at half-past 3. I think the last time I saw him would be at half-past 3.

Q.—Did he say he was going away at that time when you saw him? A.—No.

Q.—Did you get any information from him on Monday, the 16th of April, the day that this telegram was sent to Mr. Dan McLeod, that he was going to leave Vancouver? A.—I think Mr. McLeod mentioned on Monday morning that he was going to St. Paul.

Q.—On Monday morning. Are you sure that he mentioned that on Monday morning, the 16th day of April, 1917? A.—Well, I would not be positive; but I think Mr. McLeod said he had to go to St. Paul on a lawsuit.

Q.—He said that about three weeks before; but did he say he was going that day, or the next day? A.—Well, I could not say that he did.

Q.—You did not know that he had gone until Tuesday, did you? A.—No, I didn't.

Q.—What time on Tuesday did you first find out that Mr. Donald McLeod had gone away from Vancouver? A.—Well, it would be some time on in the day.

Q.—About what time, Miss Dwyer? A.—I presume it would be close to noon.

Q.—Who told you? A.—Well, various people telephoned for him; and I think I asked Mr. Cromie if Mr. McLeod would be in, and he said no.

Q.—You asked him if he would be in, and he said no? A.—Yes; he said he understood he had gone to St. Paul.

Q.—That would be on about noon. And did Mr. Cromie give any explanation as to why he had gone? A.—No; they never do.

Q.—He just simply said he had gone? A.—Yes.

Q.—And gave no explanation. Do you attend to the telephone? A.—I usually do.

Q.—You had several telephone calls for him on Monday morning, hadn't you, for Donald McLeod? A.—Well, there always is.

Q.—Well, I say you had? You feel safe in saying you had several? A.—Well, I had in the morning, anyway.

Q.—And you had in the afternoon? A.—I could not say positively that I had in the afternoon.

Q.—Did you have any telephone calls for him the next morning, on Tuesday, the 17th day of April? A.—I think so; there were telephone calls for him every day.

Q.—Did you have any long-distance calls for him from Victoria on April 16th? A.—Not that I can recollect.

Q.—Did you have any telephone calls for him from Victoria—long-distance calls on the 17th day of April? A.—Not that I can recollect, no.

Q.—Not that you can recollect. Do you say you did not have any long-distance calls for him on the 16th day of April from Victoria? A.—Not that I remember of.

Q.—Not that you remember. Have you seen any letters to Mr. McLeod, or to Mr. Cromie, from Victoria, respecting their attendance or the production of books at Victoria? A.—No.

Q.—From any person? A.—No.

Q.—And no letters? A.—No.

Q.—Will you say when Mr. McLeod left there that you don't believe those books were gone? A.—Well, no, I would not say that.

Q.—You would not say that. Have you any belief on the subject, one way or the other? A.—No, I really have not; because the books were of no interest to me, one way or the other, in my work.

Q.—That is all, thank you.

Mr. Davis: How long have you been in the office, Miss Dwyer? A.—Eleven months. (Witness aside.)

E. A. Estabrook, witness, being duly sworn, testifies as follows:—

Mr. Taylor: How do you spell your last name? A.—E-s-t-a-b-r-o-o-k.

Q.—Estabrook? A.—Yes.

Q.—How long have you been in the office of Foley, Welch & Stewart? A.—About three months.

Mr. Pooley: A little louder? A.—About three months.

Mr. Taylor: What position do you hold there? A.—Accountant.

Q.—Were you connected with Foley, Welch & Stewart before that time? A.—Well, no, not in any material way.

Q.—Well, no qualifications please. I am asking you whether you were connected. I did not ask for qualifications. I want the fact. A.—I worked down on the construction-work for them.

Q.—Yes; whereabouts? A.—Well, near Sudbury, and on the P.G.E.

Q.—And who were you with on the P.G.E.? A.—With McGillivray Bros.

Q.—McGillivray; is that the McGillivray related to Sir Richard McBride? A.—I understand that he was.

Q.—Brother-in-law to Sir Richard McBride? A.—Yes, I understand he was.

Q.—How many of them were there? A.—Three of them—four.

Q.—On that contract? A.—Yes.

Q.—And you were in on that contract too, were you? A.—Yes.

Q.—And what was your interest in that contract? A.—Nothing.

Q.—I beg your pardon? A.—Nothing; I was not interested in the contract.

Q.—Nothing—no interest? A.—No.

Q.—What was your position with them? A.—Time-keeper.

Q.—Whereabouts were they working—what section? A.—20-Mile work.

Q.—I beg your pardon? A.—On the 23-Mile work.

Q.—You must speak up. How much railroad-work had they to do? A.—About ten miles.

Q.—Did they do it? A.—Yes.

Q.—Do you know what they made out of it? A.—No.

Q.—Do you know how they divided their profits? A.—No.

Q.—Do you know with whom they divided their profits? A.—No.

Q.—Did you ever see them in Foley, Welch & Stewart's work before taking any part before in it—any time before in Canada? A.—No.

Q.—Do you know from conversation with them whether they were ever connected with any of Foley, Welch & Stewart's contract-work at any time before in Canada? A.—No, I don't know.

Q.—You don't know? A.—No.

Q.—How long had you been with them? A.—I must have been with them nearly a year, I think.

Q.—And always as time-keeper? A.—Yes.

Q.—And then when you were through their work you went into the office of Foley, Welch & Stewart as accountant? A.—No.

Q.—What time elapsed between? A.—I am not working for Foley, Welch & Stewart at all.

Q.—Well, who are you working for? A.—Rodell, Stewart & Welch.

Q.—What Stewart is that? A.—J. W. Stewart.

Q.—And P. Welch? A.—Yes.

Q.—And what Rodell? A.—Of Seattle.

Q.—And what is his name? A.—J. H.

Q.—And you are working for them in the same office that Donald McLeod is in? A.—Yes.

Q.—And who pays you? A.—Rodell, Stewart & Welch.

Q.—Any person else? A.—No.

Q.—Is Donald McLeod working for Rodell, Stewart & Welch? A.—No.

Q.—Who is he working for? A.—As far as I know, he is working for Foley, Welch & Stewart. I have no connection with him whatever.

Q.—And he is the private representative of John W. Stewart? A.—I don't know.

Q.—Do you occupy the same vault that they do? A.—Yes.

Q.—And do you use the same ledgers that they do? A.—No.

Q.—You use different ledgers? A.—Yes.

Q.—You have different books altogether? A.—Yes.

Q.—What work had Rodell, Stewart & Welch to do in the last few months in that office? A.—They moved their office from Seattle to Vancouver.

Mr. Pooley: I cannot hear you. You must speak up.

Mr. Taylor: He says they moved their offices from Seattle to Vancouver.

Q.—And what work are they doing in British Columbia? A.—Logging.

Q.—Anything else but logging? A.—That is all.

Q.—Did they supply any timber for this contract—this Pacific Great Eastern Railway construction? A.—I don't know.

Q.—Why don't you know? A.—I am not connected with the firm.

Q.—Haven't you seen it in the books? A.—No; we have not the old books from the first of the year in the office.

Q.—When did the old books from the first of the year go out of the office? A.—They did not go out of the office.

Q.—They never were there? A.—No.

The Chairman: Do speak louder.

Q.—Where are they kept? A.—In Seattle.

Q.—All of them? A.—A part of them.

Q.—Some of the old books are kept there? A.—Yes; not the ledger.

Q.—Why are part of the books kept in Seattle? A.—Well, there were just some books sent up for my information.

Q.—Have you any of the books referring to the Pacific Great Eastern contract-work? A.—No.

Q.—Of Rodell, Stewart & Welch? A.—No. They have nothing to do with the P.G.E.

Q.—And never had? A.—No.

Q.—They got a loan that we have had to do with here of \$240,000, and we are instructed they supplied all the timber through Mr. Hanbury. You did not know of that? A.—I am not informed on that.

Q.—What is that? A.—I am not informed on that.

Q.—You never heard of that before? A.—I have just heard of it; that is all.

Q.—Well, did you ever get any reason why there should be an advance made to Rodell, Stewart & Welch and P. Welch to supply timber for the construction of the P.G.E.? A.—I never knew there was any loan.

Q.—We have had it in the papers up to date? A.—Yes.

Q.—That there was a loan made to enable this third party to buy timber from John Hanbury instead of Hanbury selling it direct to the Railway Company. Now, have you ever had any explanation or seen any of the books which would explain why there was any justification for that course, except to boost the prices? A.—I am not familiar enough with any of that to express my personal opinion on it.

Q.—You never heard anything about that? A.—Only offhand.

Q.—Offhand from whom? A.—Well, just as a matter of conversation.

Q.—From whom? A.—Oh, from Mr. Reilly.

Q.—Who is Mr. Reilly? A.—He is the manager.

Q.—Of Rodell, Stewart & Welch? A.—Yes.

Q.—What did he tell you? A.—I don't think he told me anything.

Q.—You had a conversation with him, and he did not tell you anything. Do you expect us to believe that sort of stuff? Why don't you tell us what the conversation was? Now tell us what the conversation was. What did he tell you? A.—Well, I don't remember.

Q.—You heard about this in an offhand way from Mr. Reilly, and you don't remember what he said? A.—Yes.

Q.—Is that the way you wish to leave it? A.—Yes.

Q.—And you don't remember a thing he said to you? A.—Not well enough to say.

Q.—Just tell us in a general way what he told you about this lumber contract? A.—Why, the only thing he said was he had a contract for it.

Q.—With Hanbury? A.—Yes.

Q.—And what else did he say? A.—At a certain price.

Q.—Yes; what price? A.—At 6, 9, and 12.

The Chairman: Louder, witness.

Mr. Taylor: \$6, \$9, and \$12 a thousand. A.—Yes.

Q.—That is as far as Rodell, Stewart & Welch were concerned. That was \$6 for what kind of timber? A.—No. 3.

Q.—No. 3 and nothing else? Was there anything else at the \$6? What do you understand as No. 3 lumber? A.—No. 3 logs.

Q.—And the \$9—what? A.—That would be No. 2.

Q.—No. 2. And \$12 is No. 1? A.—Yes.

Q.—You are now dealing with the supplying of logs to Hanbury? A.—Yes.

Q.—Well, I am talking now about the sawed lumber that Hanbury sold to the Pacific Great Eastern Railway. Do you know anything about that at all? A.—I don't know anything about that at all.

Q.—Through a third person. A.—No.

Q.—You don't know anything about it. Now, your going into that vault, when did you notice this book missing first that Miss Dwyer spoke of?

Mr. Davis: What book is that?

Mr. Taylor: The ledger, with "F. W. & S." on the back of it? A.—Why, I did not notice it at all until I saw it mentioned in the papers.

Q.—Then you noticed it was out of the vault? A.—I noticed that there was one big book missing, and the place for it when it was there was vacant; it was not there; but it may be in the vault now.

Q.—When did you last see it was not in the vault? A.—I did not see it was in the vault.

Q.—When did you miss it from the vault? A.—I did not miss it from the vault at all.

Q.—When—well, did you ever see the vacant space that it once occupied? A.—Yes, that is what I say.

Q.—When did you first see the vacant space it once occupied? A.—I believe it was the first time I read about it in the papers.

Q.—What day was that? A.—I cannot remember.

Q.—This is only Friday, and you cannot remember now? A.—No.

Q.—Yesterday was Thursday and the day before was Wednesday. Now, when did you first read of it in the papers? A.—It was the first day you had Mr. Cromie on the stand.

Q.—How old are you? A.—Thirty.

Q.—Well, now, you are not an old man. You ought to have a young, bright memory. What day was it you read that? A.—I think it was on the Wednesday.

Q.—On Wednesday; very well. And on Wednesday you noticed it was not in the safe or vault? A.—Yes.

Q.—Did you speak to Mr. Cromie about it? A.—No.

Q.—Or josh him? A.—No.

Q.—Did you joke him? A.—No.

Q.—You kept silent about it? A.—I have not seen Mr. Cromie since then.

Q.—I asked you, did you keep silent about it? I am talking about Mr. Cromie; did Cromie say he had heard of it? A.—No.

Q.—Did you hear any talk about it in the office at all? A.—I beg your pardon?

Q.—After having read it—you knew that Cromie was brought over here as a witness? A.—Yes.

Q.—And how many in the office are there altogether? A.—There are the four of us.

Q.—That is Miss Dwyer, Mr. Cromie, and yourself, and who else—Mr. Reilly? A.—No; Mr. McLeod.

Q.—Mr. McLeod. Well, now, Mr. McLeod had left the office before Wednesday. He had gone out of the country; so that only left three of you. And the logging business of the Company up the Coast—things, I suppose, were not particularly rushing around there then. And Cromie was taken out of his usual occupation to become a witness here with regard to the disappearance of certain books and papers from the vault that you had access to; so you never had any conversation under those circumstances with Mr. Cromie about it? A.—No.

Q.—Well, why did you keep so silent about it? A.—Well, their affairs and mine don't hinge together very closely.

Q.—Well, the vault is the same that you use, and you each have the combination of it; and this book was there before, and the place that knew it once knew it no more; and you said nothing to Mr. Cromie about it? A.—No.

Q.—Did you say anything to Miss Dwyer about it? A.—I think I did mention it to Miss Dwyer at the time.

Q.—And what did she say? A.—I said there was a vacancy there.

Q.—In the vault? A.—Yes.

Q.—So there was something true in what the newspaper was talking about? A.—Yes.

Q.—And what did she say? A.—I don't remember the conversation particularly.

Q.—What did she say? A.—I don't remember.

Q.—You cannot say what she said; is that true? A.—Yes.

Q.—Well, then, when Cromie came in—you and Cromie are friendly, aren't you? A.—Yes.

Q.—You are somewhat about the same age too, aren't you? A.—Yes.

Q.—And you chum together a little bit? A.—I say I have not seen Mr. Cromie since.

Q.—Well, I say you chum together a little bit, don't you? A.—No.

Q.—You don't associate together very much? A.—No.

Q.—He is your superior, is he? A.—Yes.

Q.—What is that? Speak out. A.—Yes.

Q.—And he is connected with Rodell, Stewart & Welch? A.—Yes.

Q.—In what capacity? A.—I never heard the title.

Q.—You don't know the title? A.—No.

Q.—Does he give you any instructions? A.—Yes.

Q.—In connection with what? A.—Only in matters of finance.

Q.—And he is also connected with Foley, Welch & Stewart? A.—Yes.

Q.—We have heard that before: he is connected with the financial affairs of Foley, Welch & Stewart. So the man who looks after the financial affairs of Foley, Welch & Stewart is the man who instructs you in the finances of Rodell, Welch & Stewart; it is the same man. There are the three of you in the office of the same staff, and one of them has gone. But you are friendly with Mr. Cromie? A.—Yes.

Q.—But you never talked with him of what you had seen in the paper? A.—No.

Mr. Davis: Did you see him after that? A.—No.

Mr. Taylor: Did you see him after he had his notice to attend here? A.—No; I have not seen him since he had his notice to attend here.

Q.—At no time? A.—No.

Q.—Or any place? A.—No.

Q.—When did you come over to Victoria? A.—Last night.

Q.—You did not see him yesterday? A.—No.

Mr. Maclean: He couldn't; he was over here then.

Mr. Taylor: What day did he get his notice to attend? A.—I don't know.

Q.—When did you last see him in the office? A.—It might have been Monday; I am not sure.

Q.—Now, as I again remark, you are not so old that you would forget like that. What day was it you last saw him? I don't want any "may have beens" or "might have beens." There are a great many things that might exist; but what day was it? A.—Monday.

Q.—Monday. Very well. That is the way to say it. What time on Monday did you see him there? A.—Oh, I saw him at 8 o'clock, or 8.30 in the morning, I think.

Q.—What was the latest time you saw him there? A.—I believe he went out in the afternoon; and I don't think I saw him any time after that.

Q.—I don't want any believing; I say, what is the latest time you saw Mr. Cromie in the office on Monday? A.—I cannot swear as to that. I cannot answer that question.

Q.—Give us the best hour—the safest hour you can give. A.—Noon.

Q.—Well, you are sure of noon, but you are not sure whether you saw him after that on Monday? A.—No.

Q.—And you have not seen him in the office after that? A.—No.

Q.—You were there on Tuesday, though? A.—Yes.

Q.—And you were there on Wednesday? A.—Yes.

Q.—And you were there on Thursday? A.—Yes.

Q.—And Mr. Cromie has not been there either Tuesday, Wednesday, or Thursday? A.—Not that I have seen.

Q.—When did you last see Mr. McLeod there—Donald McLeod? A.—I don't think I saw him there Monday at all; and I did not see him after.

Q.—You don't think you saw him there Monday. What hour do you go there in the morning? A.—8.30.

Q.—And what hour do you leave? A.—At 5.30.

Q.—Were you there all day Monday? A.—No; I am not sure.

Q.—I am not asking if you are there; were you there all day Monday—the 16th day of April, 1917? A.—No.

Q.—Where were you? A.—Well, it is a hard point for me to answer. I don't think I can answer it.

Q.—I beg your pardon? A.—I don't believe I can answer that as to where I was entirely. I often go out of the office during the day-time.

Q.—Yes. A.—I think I was in the boat that day.

Q.—What boat? A.—The one that comes in from the camp.

Q.—Yes; and where else were you? A.—I cannot say.

Q.—Are you in the office all day? A.—No; not very often.

Q.—What are you usually out of the office for? A.—Well, I do the buying for the firm.

Q.—The buying of the groceries—the commissaries? A.—Yes.

Q.—And anything else? A.—The hardware.

Q.—Hardware, etc., and supplies? A.—Yes.

Q.—Are you able to say the latest you were in the office on Monday? A.—I would say until 5.30; that is the usual hour.

Q.—Are you able to say what proportion of the afternoon you were there? A.—I would say that I was out about two hours in the afternoon.

Q.—And how many hours in the morning, would you say? A.—I am not sure whether I was out in the morning at all.

Q.—Then how long do you take for lunch? A.—Sometimes an hour and a half.

Q.—Did you see the vault on Monday? A.—I cannot say.

Q.—I beg your pardon? A.—I cannot say.

Q.—Why can't you say? A.—Because I don't remember.

Q.—You don't remember whether you saw the vault or not? A.—No.

Q.—When did you see Mr. McLeod there on Monday? A.—I am not sure that I saw him at all.

Q.—On Monday? A.—No.

Q.—Will you say that you did not see him there on Monday? A.—No; because I have a recollection that I did see him in the office on Monday morning.

Q.—Did you open any telegrams directed to him? A.—No, not one.

Q.—Or to Cromie? A.—No.

Q.—Are you sure about that? A.—Yes.

Q.—Who opened the telegrams that came for them? A.—I had nothing to do with the telegrams.

Q.—Did you open any telegrams directed to him on Monday? A.—No.

Q.—Did you open any telegrams directed to Mr. McLeod on Tuesday? A.—No.

Q.—Or to Cromie? A.—No.

Q.—Or to Foley, Welch & Stewart? A.—No.

Q.—Is Mr. Donald McLeod over you in any respect? A.—No.

Q.—Did he ever give you any instructions? A.—No.

Q.—Or say anything to you about going to leave for any place? A.—Yes; he mentioned it.

Q.—What did he tell you? A.—It was in the neighbourhood of three weeks ago, I think.

Q.—Did he say anything to you about it on Saturday, Sunday, or Monday before he left?

A.—No, I think not.

Q.—I am referring now to the 14th, 15th, and 16th day of April, 1917? A.—No.

Q.—He did not? A.—No.

Q.—When did you first learn that he had gone away? A.—I believe, when I first noticed it in the paper.

Q.—And you never knew that Donald McLeod had left the country until you noticed it in the papers? A.—No.

Q.—When was that? A.—I think it was on Tuesday or Wednesday.

Q.—Can you say which day it was? A.—Wednesday.

Q.—Why didn't you say that in the first place? So it was Wednesday now that you first noticed it; was it in the morning or evening paper you first noticed it? A.—I believe it was the morning paper.

Q.—Did you say anything to any person about it when you first noticed it in the paper? A.—I might have made some comment on it.

Mr. Hall: Speak out. It is a strain to follow you; one has to listen so closely when you speak so low. Surely, witness, you can talk out better than that.

Mr. Taylor: To whom did you make the comment? A.—Perhaps to the stenographer.

Q.—No perhaps about it; to whom did you? A.—To the stenographer.

Q.—To any one else? A.—To no one else.

Q.—What did you say to the stenographer? A.—I said, "I guess Mr. McLeod must have gone away."

Q.—What else did you say? That was a safe guess having read it in the newspaper, and having read all the head-lines about it. What else did you say about it? A.—Nothing in particular.

Q.—Tell us what you said that was not "in particular"? A.—I carried on no conversation in the office in regard to it.

Q.—In regard to what? A.—In regard to his going away.

Q.—What did you say? A.—I say I carried on no conversation.

Q.—Oh, you carried on no conversation? If you will just speak a little louder—I thought you said you carried on a conversation. Do speak out. A.—I said to the stenographer, "Mr. McLeod must have gone away."

Q.—And what else did you say? A.—That is all I said.

Q.—Did you say anything to Cromie about it? A.—No.

Q.—Did you hear Cromie saying anything about it? A.—No.

Q.—Why didn't you say something to Cromie about it? A.—Because I did not see him. I did not see him to talk to.

Q.—That is the reason. That is all, thank you.

(Witness aside.)

Mr. Hanes: Mr. Chairman, we have been told that there were three telegrams sent to Vancouver on Monday to that office; and I think it would be well to have a subpoena or summons issued to the proper official of the C.P.R. Telegraph Co., and the Great Western Telegraph Co., and the Telephone Co. for any telegrams or long-distance telephone messages sent from Victoria to Vancouver to Foley, Welch & Stewart, or to Donald McLeod, or R. J. Cromie, or E. F. White, or to P. Welch, or to these two witnesses of this morning—that is, Mr. Estabrook or Miss N. Dwyer—during the last two weeks.

The Chairman: Over what dates?

Mr. Hanes: Say during the last two weeks.

The Chairman: That, I take it, is a motion?

Mr. Hanes: Yes.

Mr. Ross: What about wireless?

Mr. Hanes: I will say all wireless too.

Mr. Taylor: Yes, to the companies having any messages; and they are to produce the duplicates in their office—or, rather, the original messages. They to produce their original messages.

The Chairman: Mr. Pooley suggests mental suggestions as well.

Mr. Ross: Isn't there a Dominion telegraph system?

Mr. Hanes: Yes; I will include the Dominion telegraph system, because I believe there is one.

Mr. Taylor: Yes, there is one.

The Chairman: Well, that is in the form of a motion?

Mr. Hanes: Yes.

Motion carried.

Mr. Hanes: Now, I notice that Mr. Ed. White is not around this morning, and I do not think this Committee has relieved him yet from attending; and I think we should have a reason as to why he is not here. He was giving evidence the other day and had not finished.

Mr. Taylor: I call Mr. E. F. White.

The Chairman: Have you got any further information to give us about him, Mr. Davis?

Mr. Davis: I have not any, no. I am busy with my own troubles.

The Chairman: I thought that might be one of them.

The Secretary: He had not finished with his evidence the other day.

The Chairman: Well, now, as soon as the next session is determined we can arrange about the issuing of a summons or subpoena with regard to these other matters.

Mr. Hanes: There is just another thing I wish to mention. When Mr. Taylor was giving his evidence he said the overpayments in connection with the P.G.E. Railway were made with the sanction of the legal department of the Government, and which, I take it, would be the Attorney-General's Department; and the contract was discussed in the Executive before it was authorized; and as I take it that the Attorney-General at the time, Mr. Bowser, would be present at those discussions, I think it would be well for the Committee to know what he has to say about it.

The Chairman: When does the Committee propose to sit again?

Mr. Shatford: I would like to have it adjourned until Tuesday if the members are willing.

Mr. Hanes: I would suggest Mr. Bowser be questioned on those subjects—on those overpayments.

Mr. Hall: When do you think best, Mr. Hanes? When do you think is best?

Mr. Hanes: I am agreeable to any time the Committee is agreeable to—either this evening, or Tuesday, or Monday.

Mr. Taylor: On that subject I wish to make my position clear. I am distinctly against calling any member of the Legislature to give evidence here. I take it that a member of the Legislature stands in a different position from any other person. In the first place, it is absolutely essential, until there is some direct evidence given by some person against a particular member of the Legislature, to not in any way cause them to have to give their evidence upon oath before a Committee of their own Legislature. The minute you start that sort of thing you start into a political muck-raking campaign, and you destroy the real value of the work of this inquiry; and the excellent effect and the excellent inquiry we have had up to date I am sure has appealed to Liberals and Conservatives alike throughout the country; and we do not want the work of this investigation thrown into disrepute. The trouble is this: If Mr. Bowser is called, things will wander along from one thing to another, and Mr. Bowser will be asked a great many questions which I think should not be asked of any man as long as he is a member of the Legislature, and is trusted as the people's representative, until there has been some direct testimony given by some person against him; and then, and then only, should he be called. As far as I am concerned, I want it also understood that I do not want in any way to suggest that this investigation should be cut off. That is not my desire. I am putting this wholly and solely upon the principle that Mr. Bowser is a member of the Legislature and should not be called to give evidence before any Legislative Committee unless he volunteers to come himself, or unless some direct testimony or charge has been made against him, or unless some direct testimony has been given against him by some person. I think you will all regret it if you launch into that course in this inquiry, for the simple reason you will at once get into a political discussion instead of a fair unbiased inquiry such as we have had up to date.

Mr. Hanes: Well, Mr. Chairman, since this inquiry has started, the Committee has been further directed to inquire as to the distribution of certain campaign funds, as suggested by Mr. Tate were distributed; and as Mr. Bowser was at the head of the Government, I think it is only right for him to say whether or not he has received any of those campaign funds. This Committee has been directed by the House to inquire along this line, and I think it is just as well to give him a chance to say whether he received any of them or not.

Mr. Taylor: You must remember that I did not say you ought not to give him a chance. Give every person a chance, as far as that is concerned. I think it is all right for you to have your discussion on the floor of the House, but to have a man, when he is a member of the Legislature, come here without having had his name brought up in evidence, it is not my idea of playing the game.

Mr. Hanes: Well, whether a man is a member on the floor of the House or not, I cannot see that he is privileged. I am not able to draw any distinction of that kind. I say that Mr. Tate said that certain moneys were distributed and Mr. Bowser's name has been mentioned.

Mr. Shatford: Did he mention Mr. Bowser's name?

Mr. Hanes: He was asked whether Mr. Bowser had received any of it. I say that Mr. Bowser's name was mentioned here. Mr. Tate was asked whether Mr. Bowser received any of those funds or not, and Mr. Tate refused to answer.

Mr. Maclean: No; that was a question that was asked Mr. Thomas before this Committee; that is, whether Mr. Tate had told him that. It was not asked Mr. Tate.

Mr. Hanes: Well, I will correct it to that extent, then.

Mr. Hall: Well, apart from that, there are other things he should be called to answer. It seems to me that this letter of December, 1912, in which it was pointed out to the head of the Government at the time that Mr. Welch's charges were much in excess of certain charges for similar work on the Coast, coupled with a number of other statements, and coupled with other evidence that has been given here with regard to these payments being out of proportion, under section 9 of the contract—I think there should be an explanation given of them; and I think Mr. Bowser should be called.

Mr. Taylor: You had Mr. Tom Taylor, who was the Minister of Railways at the time.

Mr. Hall: And he says he knows nothing.

Mr. Taylor: You can issue an invitation to all parties to attend and let it go at that; and let Mr. Bowser take the responsibility of not attending if he wants to, but I don't think he should be forced to come here.

Mr. Hall: Will you move, Mr. Hanes, that he be requested to come here.

Mr. Hanes: Yes, I am requesting that Mr. Bowser give evidence here.

The Chairman: It seems to me that Mr. Hanes's statement pretty nearly puts it up to Mr. Bowser to come, anyway. It is called to his attention by the Committee, and I think that is a request.

Mr. Hanes: Well, I think he should be requested to come here for the very reasons I have mentioned; and I think they are very fair reasons.

Mr. Ross: Well, supposing Mr. Bowser came here and then refused to answer certain questions about these overpayments, then what position would he be in?

Mr. Hanes: The same as any other person.

Mr. Ross: I do not think so. I do not think you can force him if he is not under subpoena.

The Chairman: Any person who comes here as a witness under oath is the same as a witness in Court.

Mr. Ross: Well, supposing he came here to explain a certain question with regard to the financial position of the Pacific Great Eastern Railway, and he explains that; then Mr. Hanes goes further and asks other questions beyond that, and says under cross-examination he should be called upon to give some statement voluntarily on a side-issue, apart from the investigation; then suppose, for example, he refuses to answer that, what position would he be in?

Mr. Hall: I think we are crossing bridges before we come to them and we are getting into a needless argument.

Mr. Taylor: There is no doubt he would be liable to commitment the same as any one else if he did not answer the questions; and it would be a very undesirable thing for any member of the Legislature.

Mr. Maclean: Supposing you called all the members of the House and they all refused to answer, and you committed the whole bunch of them, what would the Legislature do then?

Mr. Hanes: Well, I can assure Mr. Maclean there would be one who would answer.

The Chairman: It might be necessary then to prorogue the House.

Mr. Maclean: It might be a very great relief.

Mr. Taylor: You have got a very serious proposition on your hands, and the policy that has to be pursued by the Legislature in dealing with the construction of this railway—a thing which they have undertaken and which bids fair to ruin this country—it has to be considered very seriously; and this Committee of investigation should keep away from the political side of it, and if you are going to go into politics I would be very much against it.

Mr. Ross: Well, as the member for the Fort George District, in which this railroad-construction is of great interest, I would like to see the Committee get down to work and bring its report in as quickly as possible. I would like to see a report put in with reference to the financial and constructive side of the railway, so that it can be put up to the Government in such a way they can take action on it.

Mr. Taylor: Mr. Oliver is very anxious to have that completed at once.

Mr. Hanes: I agree with you in that completely; and that is why I take the action I do.

Mr. Ross: Well, after Mr. Bowser and some one else has given evidence on those points Mr. Taylor raised this morning, will that complete the matter from your standpoint, Mr. Hanes, or do you wish to keep it open until you pursue all these other matters, and get all these letters, and keep it open until you get all these witnesses to give evidence with reference to campaign funds?

Mr. Hanes: I don't think you should question me in that way. I said yesterday that I was pretty well through, and wanted to have a report made to the House as quickly as possible, so that we could have some action taken on the construction of the road——

Mr. Ross: Well, I am with you in that.

Mr. Hanes: But I am afraid that the member for Fort George will get most of the road built up in his end, and the member for Fort George will not get any built in his district.

Mr. Taylor: Well, I am very much opposed to get into this realm of political muck-raking.

The Secretary: Well, I think we had better adjourn to consider this. On Tuesday, when we meet again, we can consider it.

Mr. Taylor: You will not sit to-night?

The Chairman: It is for the Committee to say.

Mr. Pooley: I will make the suggestion that we adjourn until Tuesday.

Mr. Hanes: Yes, we might adjourn until Tuesday.

Mr. Hall: Was that put in the way of a motion? Mr. Hanes, you wanted something brought up—was that in the form of a motion?

Mr. Hanes: Yes.

The Secretary: No, you did not make a motion.

Mr. Hanes: Well, I will now.

Mr. Taylor: And you seconded it, did you, Mr. Pooley?

Mr. Pooley: What is his motion? I am not seconding anything I don't know anything about.

Mr. Hanes: A request should be as good as a motion. I will make it in the form of a motion. I will move, in view of the fact that Mr. Taylor has stated that the overpayments by the Government to the Pacific Great Eastern Railway Company on account of the contract were made with the knowledge of the legal department of the Government, and on account of the statement by Mr. Taylor that this contract was discussed in the Executive Council before the contract was made, that the then Attorney-General, Mr. Bowser, be called to give evidence on that or on any other matter appertaining to this investigation.

Mr. Hall: I second it.

The Chairman: Any discussion?

Mr. Hall: I think it is a case of a request being made.

The Chairman: I think, to invite is the practice; if any member of the Legislature is asked to give evidence, they are invited to come.

Mr. Taylor: Well, may I ask, Mr. Chairman, if you will sit to-night in any event, because otherwise I want to catch the 2 o'clock boat; but if you are going to sit to-night I will stay over.

The Chairman: It all depends on this motion—when you want to sit.

Mr. Ross: Mr. Bowser would not give away the secrets of the Executive Council.

Mr. Pooley: I was going to make that suggestion. You must remember a Minister of the Crown is under oath, and he cannot give away the secrets of the Executive; and I don't suppose he will answer them, anyhow.

The Chairman: Any further discussion? All in favour of the motion?

Motion carried.

The Chairman: Now we had better settle as to whether we shall sit this evening.

Mr. Hanes: Well, on account of the statement made here that it is a matter of urgency, I think we should sit to-night.

Mr. Ross: Well, if the convenience of a member of the Committee is to be considered, I may say that I cannot sit this evening. That was a matter which was brought up by you the other day, Mr. Chairman—the fact that I was not able to attend all the sittings; but I am

engaged on other Committees, and there is a very important one sitting to-night with reference to the City of Vancouver matter, and we want to clear that up to-night, so, as far as I am concerned, it does not suit my convenience to be here.

Mr. Taylor: Well, you have those telegrams, anyway, to go into on Tuesday; so why not have it all left over until Tuesday?

The Chairman: I think all the members ought to be present, and I recognize the importance of Mr. Ross's meeting to-night—and it is a very important meeting—so we might adjourn now until Tuesday morning at 10.

Mr. Hanes: I am agreeable to Tuesday morning.

Committee of Inquiry adjourned till 10 a.m., Tuesday, April 24th, 1917.

TWENTY-NINTH SESSION.

TUESDAY, April 24th, 1917.

The Commission of Inquiry herein met at 10 a.m. pursuant to the adjournment of April 20th, 1917.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, L. W. Shatford, W. R. Ross, and R. H. Pooley; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway Company; J. N. Ellis, Esq., appearing as counsel for Messrs. Foley, Welch & Stewart.

Minutes of previous meeting read by the Secretary and formally approved.

Mr. Ellis: Mr. Chairman, before you go into the evidence, I have been asked to call the attention of the Committee to the operating books of Foley, Welch & Stewart, which are here on file, and ready to be produced if necessary; and these are the books which are used in connection with the railway, and they have never been asked for by anybody; and their retention in Victoria is causing a great deal of inconvenience to my clients; and I was wondering if it would be possible to have them released.

The Chairman: Are they in as exhibits?

Mr. Ellis: I understood not.

Mr. Maclean: All the books were put in as one exhibit. There was a bunch put in at the same time.

Mr. Ellis: It is tying up the work of the office in Vancouver, and I was wondering if it would be possible to have them go back there on the understanding that they could be produced here at any time that was necessary; but four men are absolutely unable to do anything in their absence, and it is a serious matter.

The Chairman: Are these the books of the Pacific Great Eastern Railway Company?

Mr. Williams (Clerk): Yes, the books of the Pacific Great Eastern Railway—of the operating department.

Mr. Ellis: The accounts receivable and payable.

The Chairman: Aren't they P. Welch's books?

Mr. Williams: Yes, they are P. Welch's books; but there is nothing of a confidential nature in them, or anything of that description. You see, the whole department is being tied up; and these books are required for reference continually; and they were shipped over here, and at the time they thought they would be back in ten days.

The Chairman: Well, as far as I know, there is no reason why we should keep them here any longer; but if there is any member of the Committee wishes them, it is for him to say.

Mr. Maclean: They were put in as Exhibit 207—the books and vouchers and everything else—the whole bunch of them.

Mr. Williams: Yes, bills payable and receivable.

Mr. Ross: I think it would be well to have the Secretary look over them before they are released.

The Chairman: Well, Mr. Hanes has spent a considerable time on those books, and it might be just as well to have him look over them; and it will be in his discretion to release them. We will take that as carried. Now, what telegraph-office representative is here?

The Secretary: Mr. F. C. Patterson, the manager of the B.C. Telephone Company of Victoria, is here.

The Chairman: Pursuant to this notice, you have been required, I see by the letter sent you by the Secretary of this Committee, Mr. Patterson, to produce all telegrams or copies thereof "sent at any time since the 5th inst. from Victoria to Vancouver to any of the following: Foley, Welch & Stewart, Donald McLeod, R. J. Cromie, E. F. White, P. Welch, E. A. Estabrook, Miss N. Dwyer."

F. C. PATTERSON, witness, called and duly sworn, testifies as follows:—

The Chairman: By the way, what is your position, Mr. Patterson? A.—I am the district commercial superintendent at Victoria.

Q.—Well, now, in reply to that question, or that statement, what have you got to say? A.—That is the list of all the long-distance messages that have been handled through Victoria and sent to Vancouver since the 5th of April.

Mr. Maclean: Speak out a little louder.

Witness: That is this list of messages, which shows the following messages were sent: April 6th, Gamble to White—that is from Victoria to Vancouver.

The Chairman: Yes, what date? A.—April 6th, Victoria to Vancouver; and the next is 10th April, Rowley to Welch; 11th April, Rowley to McLeod; 17th April, Thomas to Cromie; 17th April, Thomas to Cromie. There were two messages on that date.

Q.—There were two messages on that date—there were two messages on the same date, and these slips are what? A.—These slips are the only record that we have of the conversations.

Mr. Maclean: Are these long-distance or telegraph? A.—Long-distance.

The Chairman: I do not think there is any need to file that.

The Secretary: It will be an exhibit.

The Chairman: Is there any further information you can give us pursuant to that request? A.—Nothing further.

Q.—Of course, you keep no record of the conversation? A.—No; the ticket contains all the information we have of the call.

Mr. Maclean: Is that list going in as an exhibit?

The Chairman: Yes; some of the members suggested its going in.

Mr. Maclean: Exhibit 223 that will be?

The Secretary: Wait a minute—yes, Exhibit 223.

The Chairman: That is all, thank you. Who is the next—the C.P.R.?

(Witness aside.)

ANDREW WILLIAM CLAYTON, witness, being called and duly sworn, testifies as follows:—

The Chairman: What is your position? First, what is your full name? A.—Andrew William Clayton.

Q.—Are you the local manager of the C.P.R. Telegraph Co.? A.—Yes.

Q.—In reply to this request of the Secretary, what documents have you produced? A.—I have no documents to produce, but I am acting under certain rules that are laid down by our Company. I would ask your permission to read it to you, which shows exactly the position I stand in. May I read it?

Q.—It is not long? A.—No, it is not long (reading): "Whenever an agent or other employee is subpoenaed on the part of any person other than the sender or addressee to produce a telegram or testify in relation thereto before a Court or other legal tribunal, he will take the telegram into the Court, and then submit to the Judge he ought not to produce it or testify in relation thereto, and he cannot do so unless an order or rule of the Court be entered requiring it, for the reason that telegraphic dispatches are of a confidential nature, and claim to be privileged; and if such an order be made it will be obeyed; and the clerk of the Court will then be requested to furnish a copy of the order, and a copy of the subpoena to which it refers"—

The Chairman: All right; we will overrule the system of your Company, and will ask for the production of those copies of telegrams, and original telegrams, contained in your notice.

Mr. Pooley: Well, if necessary, we can give him a copy. I move that the required resolution be passed asking the manager of this Company to produce all the papers as called for in the original notice that has been served on him, so that he can file it on his file.

The Chairman: All in favour of the motion say "Aye."

Motion carried.

The Chairman: Now, Mr. Clayton, you will do that? A.—Well, I must call upon this Committee for more specific particulars of those messages, further than a general call for messages between certain dates which are widely apart. The validity of the subpoena as served is questioned by our Company, and they will require particular specifications as to the date on which the messages were sent, and the nature of the contents of those messages; that will be necessary to have.

The Chairman: No, absolutely not. We cannot have any quibbles like that. You have direct instructions from the Committee now to produce all telegrams between certain dates which were sent to certain parties; and you can either answer or refuse to answer. This Committee, I may tell you, have full power to issue those instructions; and they have been issued, and they expect them to be obeyed. A.—Well, I am in the position of having to protest, because I am acting under the instructions of our Company, and they control me.

Q.—Well, this Committee has more power than the Company in this matter. A.—Well, I have nothing with me now, sir. However, further time would be required, at any rate, for a general search of all our files to get the messages between those dates.

Q.—Well, now, this is what you are asked to produce. A request is made to you again by this Committee, by its Chairman, to you as a witness, sworn before this Committee, "to produce all telegrams, or copies thereof, sent at any time since the 5th inst. from Victoria to Vancouver to any of the following: Foley, Welch & Stewart, Donald McLeod, R. J. Cromie, E. F. White, P. Welch, E. A. Estabrook, and Miss N. Dwyer." Now will you produce them? A.—I have not any to produce, sir.

Q.—I beg your pardon? A.—I have not anything with me to produce.

Q.—Well, I say, will you produce them? A.—I will ask for further time in which to get them.

Q.—I say, will you get them, because if you will undertake to get them we will adjourn in order to meet you in that. It is an important thing that you should have them here. We want to know what you are going to do. A.—I think that when the position of the Committee is more fully brought to the attention of the management of our Company, that they may further instruct me to produce those messages.

Q.—Are you going to take your instructions from this Committee or from the Company? A.—Well, I would very much prefer if it would be possible to take the instructions from this Committee through our management.

Q.—Who is in charge of your papers here—of your telegrams? A.—I have charge of them.

Q.—You have charge of them? A.—Yes.

Q.—So it is in your power to either produce them or not to produce them? A.—The messages are in my office and I can put my hand on any of the messages there.

Q.—You are the only person who is in charge of them? A.—Well, I am the only person in charge of them, naturally, being the manager of the office.

Q.—So if they are not produced you are the man who will be responsible? A.—Yes, in so far as I have a free hand to act.

Q.—No: I say altogether. You are here now under the jurisdiction of this Committee, so if those documents are not produced you are the man whom we shall have to hold responsible? A.—I presume that is so.

Q.—Now, when can you have them for us? A.—It would not take me long to hunt through our files. Possibly we have in the nature of 800 or 1,000 messages a day for those days—probably 1,000.

Q.—How are they filed? A.—Well, they are filed—messages of the nature you are calling for—if I may go a little further into particulars, they would be paid messages naturally that you would be asking for, but the nature of the contents of the message is not specified to me in any way. I can only assume that they are all paid messages going to Vancouver; that is, if they are from any one interested in the work of this Committee—the various towns which they are sent to—they are all in alphabetical order in the business of the day, and it would not take me long to put my hand on the business of any day.

Q.—Can you have them here to-morrow morning? A.—Yes, I could have them here to-morrow morning.

Q.—At half-past 10 o'clock? A.—Yes.

Q.—Well, you are instructed by the Committee, quite regardless of your Company or any one else, to produce them. You are a witness before this Committee and you are instructed to produce those documents to-morrow morning. You understand that? A.—Yes, I understand that. Am I released now?

Mr. Hall: Yes.

H. BLASHFIELD, witness, being duly sworn, testifies as follows:—

The Chairman: What is your full name? A.—H. Blashfield.

Q.—And you are the local manager of the Great Western Telegraph Company, Victoria?

A.—Yes.

Q.—And you received a notice from the Secretary of this Committee requiring the production of all telegrams or copies thereof sent at any time since the 5th inst. from Victoria to Vancouver to the parties whose names you have heard read out here? A.—Yes.

Q.—Have you got them here? A.—No, I have not.

Q.—Why not? A.—Because I did not find any in the first place.

Q.—Did you look for them? A.—I did.

Q.—Well, then, there are none; is that your answer? A.—I would not say that there are not any, but I did not find any. The time given me was rather short.

Q.—I beg your pardon? A.—The time given me was rather short.

Q.—Well, how long would it take you to tell us definitely whether there are any or not? A.—Oh, I presume I could complete the search by to-morrow.

Q.—Will you report here at 10 o'clock to-morrow morning? A.—Yes.

Q.—And will you undertake to produce any such telegrams? A.—I will produce them under protest, by protesting against the legality of it.

Q.—Well, we will assume that you have gone through the same process as the last witness, to take a short cut. A.—My protest would be very much along the line of Mr. Clayton's protest, as to the question of the legality of the Committee to request such a search.

Q.—Well, having received your protest, and you having the same reply from the Committee that we require them to be produced, will you make that search and bring such as you find here to-morrow morning? A.—Yes.

Mr. Pooley: You can incorporate the Great Western Telegraph Company in that same resolution.

The Chairman: Yes.

Witness: I shall be served with a copy of that order, shall I?

The Chairman: Yes, we will have it ready for you when you come; but in the meantime you will undertake to produce them, will you? A.—Yes.

(Witness aside.)

EDWARD JOHNSTONE HOLTON, witness, being duly sworn, testifies as follows:—

The Chairman: What is your full name? A.—Edward Johnstone Holton.

Q.—And what is your position? A.—District superintendent of the Government Wireless.

Q.—At Victoria? A.—Yes.

Q.—You have received a similar notification as these other gentlemen? A.—Yes.

Q.—And what is your response? A.—We have no connection with Vancouver.

Mr. Pooley: Directly or indirectly? A.—Well, indirectly we have; but, you see, ours is a Wireless Company.

The Chairman: Yours goes by air? A.—Yes.

Q.—Doesn't the Victoria air connect with Vancouver? A.—No. We are connected with the C.P.R. at Point Grey. That is the only connection we have, and we would not have a message for Vancouver in any case.

Q.—Well, the short answer to it is, did you have any message? A.—No.

Mr. Hall: There is not any shown on the books? A.—That question was not asked me. This notice says, between Victoria and Vancouver, and we don't work with Vancouver under any circumstance.

The Chairman: Well, how about the sending of one to Point Grey, and connect up with Vancouver? A.—Well, we would not do that. We are not handling business for Vancouver in any way.

Q.—We don't want it in a more argumentative way. Have there been any such messages? A.—No, there have not been any.

Q.—Well, how would we get at it to find out if any messages were sent on the boat? Aren't you the proper man to tell us? A.—No; the Marconi Company would do that.

Q.—Have they an office here? A.—No. They are in Vancouver.

(Witness aside.)

WILLIAM DEE, witness, being duly sworn, testifies as follows:—

The Chairman: William Dee? A.—Yes.

Q.—You are the superintendent of the Dominion Government Telegraph? A.—Yes.

Q.—Have you any papers to produce in response to this notice? A.—No, none whatever.

Q.—Meaning you have none? A.—We have none.

(Witness aside.)

The Chairman: That covers the list, does it?

The Secretary: Yes.

Mr. Ross: Except the mental suggestion.

The Chairman: I think Mr. Bowser is the next witness if you want him.

Mr. Ross: Will you send some one to get him? He is in the next room.

W. J. BOWSER, witness, being duly sworn, testifies as follows:—

The Chairman: Mr. Bowser, the Committee thought that you should be invited to attend to be asked about certain matters pertaining to this inquiry. When did you become Attorney-General? A.—In 1907—July of 1907, I think.

Q.—And remained in that position until last November? A.—The 24th of November.

Q.—The agreement with Foley, Welch & Stewart, which was incorporated in chapter 34, and being Schedule A, that, I presume, would be prepared or passed upon by you as Attorney-General? A.—It came through our Department, but, of course, I had assistance at that time on that.

Q.—And section 9 and its various subsections are very familiar to you? A.—Yes.

Q.—Amongst others, for instance, subsection (d)? A.—Yes.

Q.—It has been suggested here by counsel that that is a meaningless jumble of words. Does it appear so to you? A.—Well, I must admit that is a peculiarly drafted section; there seems to be two methods of paying the money.

Q.—What was the idea at the time that section was drafted; was it meant to be a protection to the Province? A.—Meant to be what?

Q.—As a protection to the Province? A.—Well, I suppose you might call it a protection to the Province in the payment out of the moneys; it was to see that the moneys were properly expended according to that section. That Act is not really responsible for the section, because we copied it from the Canadian Northern Act, where we found it worked all right, and I think that we possibly got the precedent for the Canadian Northern Act in 1910 from the Dominion Act.

Q.—“The balances at the credit of the said special account or accounts”; then I skip some—“with interest,” and so on—that is what you refer to? A.—Yes.

Q.—“And the said balances shall from time to time be transferred to the Company or its nominees, in monthly payments, as far as practicable, as the construction of the line of railway aforesaid is proceeded with to the satisfaction of the Government, and according to the specification or standard determined by this contract.” That is perfectly correct; “and from time to time, as the work of construction proceeds, the Government, by the Minister of Finance or other duly appointed representative of the Government, shall, out of the said balances, certify to the bank the amount to be transferred from the said account to the credit of the Company or its nominees, in monthly payments, as far as practicable”; that is perfectly plain, Mr. Bowser, isn't it? A.—Well, the two sections don't go together, it seems to me.

Q.—What two sections? A.—The first section which is an authority for paying out “in monthly payments, as far as practicable”; and then it goes on to say that you should pay it out in accordance with this proportion. However, down in the latter part—

Q.—The first part determines how it shall be paid, and the second part determines the amounts which shall be paid. A.—Well, I think they both determine the methods of payment. The first says “in monthly payments as far as practicable.”

Q.—But that does not say how much? A.—Well, it says, “to the satisfaction of the Government,” which would leave a certain discretion, I suppose, in the Government, “according

to the specification or standard determined by this contract"; that would mean according to the specification and standard mentioned in the preceding section of the contract which provides for the money to be paid out; and then it goes on to add to that apparently by stating the proportion.

Q.—Exactly. Well, then, when that is added, that is certainly the Government; don't you consider it so? A.—Well, the whole section has to be read together.

Q.—Well, this is the part we have not read, "and from time to time, as the work of construction proceeds, the Government, by the Minister of Finance or other duly appointed representative of the Government, shall, out of the said balances, certify to the bank the amount to be transferred from the said account to the credit of the Company." Now, that is the first time the amount to be paid is referred to, isn't it? A.—Where is that?

Q.—Right there in the middle—a little below. A.—Yes.

Q.—"Certify to the bank the amount to be transferred from the said account to the credit of the Company, or its nominees, in monthly payments, as far as practicable." A.—Yes; but above there it says the balances shall be transferred to the Company.

Q.—But it does not mean the whole amount? A.—No. The said balances shall from time to time be transferred in monthly payments.

Q.—Now, Mr. Bowser, this is what it says: "The balances at the credit of the said special account"—that means the whole amount in the bank at the time? A.—Yes; but it does not say it is all to go out in one sum. It says it shall be transferred in monthly payments, as far as practicable. There is an authority to pay the money out as far as my opinion is concerned.

Q.—And the next section shows how it shall be paid out "in monthly payments, as far as practicable, such sums as are justifiable, having regard to the proportion of work done, and material and supplies purchased for the said railway, as compared with the whole work done and to be done thereon, pending completion of the said line." You say that that does not govern the whole section? A.—I don't say that it is "such sums as are justifiable"; it seems to me that there is a discretion on the part of the Government in that matter.

Q.—Under what section? A.—Well, taking everything into consideration, the section is very clearly drawn, it seems to me.

Q.—And do you think that that section authorizes you to pay out \$42,000 a mile on parts that have not been touched. A.—No; it might not on parts that have not been touched.

Q.—You know that the whole amount has been paid out, don't you? A.—Well, all I know is from the evidence which has been given on this Committee.

Q.—As the man who was Attorney-General of this Province up till last November, do you say you don't know that the whole amount of that fund was paid out of the bank to the Railway Company? A.—Well, as the Attorney-General, it would not make any difference to me, that part of it, because as the Attorney-General I might not know anything about it.

Q.—Well, you were Acting Finance Minister for a time? A.—Once or twice I was.

Q.—And you were signing certain certificates? A.—Yes.

Q.—And you were also the Premier of this Province? A.—Yes.

Q.—Well, I will ask you as Acting Premier of the Province, and subsequently as the Premier of the Province, and as the Acting Prime Minister of the Province, and at all time as the Attorney-General of the Province—will you now say you did not know that the total amount of this guaranteed bond issue was paid out of the bank to this Company? A.—Well, I would not swear as to whether I did or not, because I think up to a certain date in 1915 there was always a hold-back—an item of 10 per cent., or something like that; and I think that some of that was released in 1915—in July of 1915.

Q.—Well, these amounts were paid out by Order in Council, weren't they. A.—I expect so; I expect so. I think that was the practice which was followed.

Q.—Do you remember about when it was that you were acting as Finance Minister? A.—No. I was never really acting as Finance Minister. I was never really appointed Finance Minister, but from time to time Mr. Ellison would be away, and some of these estimates which were coming on would be brought up to me to sign for him after they were passed by the Railway Department, but I cannot tell you, in fact, how many were signed by me.

Q.—We will get them in a minute. They will be here. Now, you knew for some considerable time, Mr. Bowser, that the firm of Foley, Welch & Stewart were not living up to

their contract as to the completion of this road? A.—What do you mean by that—as to the time?

Q.—Not only as to the time, but with regard to putting up their money and seeing it through. A.—Putting up what?

Q.—Their share of the money. A.—Well, I don't know that I know about that.

Q.—Now, wasn't it intended by the Government, as a matter of protection to the people of this Province, that the Government should put up a certain amount of money on that guarantee bonds, and that the balance of the moneys were to be put up by Messrs. Foley, Welch & Stewart, which would be required to construct this road? A.—Yes. I always figured that the guarantee would never build the road.

Q.—And that the balance would be put up by Foley, Welch & Stewart, and the protection to the Province was that they were to put up that *pro rata* with the Government? A.—I don't know that was a case of *pro rata*; but I thought they would make up the deficiency.

Q.—As it went along? A.—Yes, I always thought so; and I was told that the proceeds of the bonds would not build the road.

Q.—Well, when did you find out that the state of affairs did not exist, and that Foley, Welch & Stewart were not putting up the money? A.—I don't know that I found it out until after I left the Government, because I made a statement in the House, which was based on statements they had given me to the effect that they had millions of dollars of their own money in that undertaking, and which turns out on the investigation of this Committee is not correct.

Q.—But you admit that the Government did not live up to their Statute? A.—No, I don't say that.

Q.—And made illegal payments? A.—No, I don't say that. I say that the situation in the Province caused us to release more moneys than it would otherwise have done. For instance, the financial conditions existing in the Province were very bad, and that was the reason for more money being paid out than might otherwise have been. But I don't think I ever made any statement in my speech in the House that there were any illegal payments or any wrong payments. But we did the very best we could under the circumstances, and went to the extent of allowing a liberal release of the moneys owing to the conditions which existed in the Province at that time.

Q.—Well, do you say that you did not know while you were in office that the whole amount of money under this guarantee bond was released? A.—I say now, when I think that over, I think there were perhaps some vouchers came through in July, in which they had always been a hold-back, which amounted to over \$1,000,000—I am speaking now from memory; and at that time, Mr. Gamble, I think it was, advised us, under all the circumstances, in order to keep the road going and not have it close down, that we might release half of that hold-back; and that, I think, would leave about \$600,000-odd as a hold-back.

Q.—So you thought that there was \$600,000 still in the bank? A.—Well, I cannot say that, because I don't know that I ever inquired what was in the bank; that was all a matter for the Railway Department.

Q.—It is strange that Mr. Taylor comes here and tells us he did not know anything about it. He says he was relying on the Attorney-General. A.—Well, he cannot say that he was relying on the Attorney-General. I don't think he can say that. Mr. Taylor has nothing from the Attorney-General's Department in writing to authorize him to do that.

Q.—Mr. Taylor was asked about the legality of what was going on, and he told us that the Government appreciated the meaning of that section. I asked him why he didn't do something to protect himself with regard to it, and he told us very definitely, as I recollect it, that that was a matter that was really up to the Attorney-General's Department. A.—Well, the files are all open in the Attorney-General's Department, and it is very easy to see whether we ever gave an opinion on it or not, and I am confident we did not. The matter was handled between Sir Richard McBride and Mr. Gamble.

Q.—Well, if there was an illegality going on, wasn't it up to the Attorney-General's Department to look after it? A.—Yes, if the Attorney-General's Department knew about it; but that whole matter was handled between the Railway Department and Sir Richard. I was too busy to attend to those matters.

Q.—Now, when did he go away? A.—He went away in December, 1915.

Q.—Now, just wait a minute. You had a conference with Mr. Tate in 1914 at the time the Lieutenant-Governor, according to the correspondence here, was objecting to these payments.
A.—Well, I had several conferences with Mr. Tate; I don't know which you refer to.

Q.—We will have to get that letter. There is a letter there that was written to you on October 27th, 1914, to Hon. W. J. Bowser, Attorney-General, Victoria, by Mr. D'Arcy Tate, and which reads as follows: "Work is on verge of shutting down, and unless estimate is paid to-day I cannot possibly hold the situation any longer. This month's bills all overdue and men clamouring for their wages. Of course, you understand if camps disbanded now work cannot resume this winter. It is matter of hours here now until result is reached one way or the other. You will also understand that if these 6,000 men are turned loose it will be without payment of their wages, and you can imagine the trouble that will ensue. In view of fact that I am alone now, with Welch and Stewart both absent, please endeavour to relieve situation." That was written to you, Mr. Bowser. A.—Well, that would be written to me as Acting-Premier. It would not necessarily be headed as Attorney-General. Sir Richard was in England at the time when I was Acting-Premier.

Q.—But you received it? A.—Yes. But the only reason I was brought into it was—not because I was the Attorney-General, but because I was the acting-head of the Government.

Mr. Hanes: What date was that in October, 1914?

The Chairman: The 27th October, 1914. It is a telegram, not a letter.

Q.—Now, the payments were held up at that time—not because there was no money in the bank, but because Foley, Welch & Stewart had received more than their proportion; the Pacific Great Eastern Railway had received more than its proportion. There is no question about that, is there? A.—Well, I don't know anything about that.

Q.—Eh? A.—Well, I don't know anything about that. I cannot remember that affair at all, that anything was held up. You spoke of the Governor, and I don't know that I have any right to bring in anything that occurred between the Governor and ourselves. But I don't remember discussing the matter with His Honour.

Q.—Well, I am not talking about His Honour now. I am talking about this letter. I say at the time this letter was received by you you knew that the payments were being held up because the Government did not wish—or they were reluctant to continue making overpayments to the Pacific Great Eastern Railway. A.—I don't know anything about that at all.

Q.—Well, what was the reason for it? A.—Well, I don't know what the reason was unless it was just a matter between the Railway Department and Tate; there was some hold-up or the cheque was not here—I don't know unless you refresh my memory.

Q.—Well, did you take any steps to find out? A.—Well, I understand that there was a drastic telegram came through by what I read in the newspapers.

Q.—That is a later date? A.—A later date.

Q.—Another time? A.—Well, I suppose what would be done was, when I got that telegram from Mr. Tate I would take it up with Mr. Taylor and send it over to his Department to deal with.

Q.—Now, I just want to direct your attention, Mr. Bowser, to this fact: On the day before this letter was written to you Mr. Tate wrote to Mr. Gamble as follows:—

"Referring to our progress estimate No. 26 for the month of September, that is still waiting the signature of His Honour the Lieutenant-Governor, and the question raised by him as to the volume of unfinished work and the amount of funds available for its completion.

"First, I beg to advise that upon clear representations made to the Government at Ottawa as to the position of the Company and its inability to raise money now on account of the German war, appreciating the disastrous effect a temporary suspension of our work would have on the prosperity of the whole community and upon the credit of the country at large, the Federal Government came to our assistance, securing us sufficient funds for the continuance of the work.

"Answering the point raised by His Honour in regard to the balance of moneys necessary for the completion of the line beyond the proceeds of the sale of guaranteed securities, I beg to assure you that these will be forthcoming when required. The work is being conducted in the most economical manner with a view to a complete utilization of the whole line on the date set in our agreement with the Government, and to ensure this the Company has furnished security to the satisfaction of the Government as provided by the said agreement.

"To raise in any manner howsoever the entire funds necessary for the purposes of a large undertaking before the commencement of the work would result in adding an unnecessary burden of interest to its cost. Such financing would prejudice the undertaking from the start and increase the cost at which any money would be available, if, indeed, a firm of underwriters could be found who would identify themselves with such ill-advised operations.

"With the assistance of the Government's guarantee we were enabled to raise funds at a cost of slightly under 5 per cent. It must be evident that without this support in the money market, even under normal conditions, such money would have cost us not less than 6 per cent. Assuming that to complete the line the Company will have to find \$8,000,000, after exhausting the proceeds of the guaranteed stock issues, to have obtained this money at the commencement of the work at, say, 6 per cent. would have resulted for the two and a half years it was not required in an added interest charge of \$1,200,000 without benefiting any one."

Now, I was wrong about the other document. The other document that I read from my notes was not a letter. It was a telegram of the 27th October. A.—Yes; that is the telegram that I read in the paper. Was that telegram addressed to me?

Q.—Yes. A.—What date was that again?

Q.—That was on the 27th October, 1914, the very day after this letter was written to Mr. Gamble by Mr. Tate. A.—Well, I don't remember having discussed the matter at all with His Honour. That discussion must have taken place between His Honour and the Minister of Railways, or between His Honour and Mr. Gamble. That was quite frequent.

Q.—Well, the trouble with that—the reason you were asked to come here and testify as to this was because the Minister of Railways says he does not know anything about this. A.—Well, he was the Minister who was responsible for the Department, but, as a matter of fact, Sir Richard took more interest in this matter than any one. But I know that Mr. Gamble has been up to see the Lieutenant-Governor and has seen His Honour, and he has also done the same in the early days of Governor Paterson.

Q.—But Sir Richard had nothing to do with it when you received this telegram? A.—Yes, he had; because that was all the result of what we had agreed on in the early spring of 1914, and those payments were the result of this agreement when we said we would be more liberal in the release of them. I was only an incident, and happened to be the Acting-Premier.

Q.—Well, the responsibility of deciding what was to be done rested on you when this telegram came? A.—It rested on me and on the Executive Council.

Q.—Didn't it rest on you chiefly as the Attorney-General? A.—I sent it over to the Railway Department when it came before me.

Q.—Did you make any recommendation in regard to it? A.—Not that I remember, and I don't think you will find any correspondence in my Department regarding it.

Q.—That is quite true. A.—I sent it down to the Minister of Railways.

Q.—And wasn't that money released afterwards? A.—Yes. Well, I think it was released by the Executive Council—and you will find whether I was at the meeting or not—that that was followed because of the policy adopted in the spring of 1913.

Q.—Well, what was your policy which you adopted in the spring? A.—The policy was to be as liberal as possible with the payments under this Act; and owing to the financial break in financial affairs in the Province at that time, we wanted to keep the road going; and that was the time Sir Richard had the discussion with Mr. Welch, but I did not see Mr. Welch at that time.

Q.—Well, that liberality amounted to what? A.—To make as liberal release of the payments as possible. I think those were the instructions given to Mr. Gamble, and the discussion I had with Mr. Gamble was along those lines.

Q.—What do you mean by "as liberal as possible"? A.—The Railway Department was to take the responsibility of it, and the money was lying in the bank at 3 or 3½ per cent. interest, and we felt that it ought to go into the road instead; and if we had stopped the road then it would have only been finished up to Squamish, and we wanted to get it finished to go through somewhere where it would start to earn money.

Q.—Up to that time you had been paying the Railway Company the full amount less a hold-back of 10 per cent.? A.—Well, I don't know. That is a matter for the Railway Company.

Q.—Do you say you don't know that? A.—I did not go into those details. I am not an accountant, and even with regard to these certificates that I signed, I signed them on the advice

of experts who were engaged in the different departments. You could not expect that I, with my busy life, could do all that. There were men engaged on a salary to do that, and I was the Attorney-General at the time and Acting-Premier, and I would depend on Mr. Gamble for everything.

Q.—Well, you were part of the time the Acting Minister of Finance? A.—Only when Mr. Ellison was away; and that is how I got those orders—those minutes of Council. Mr. McLeod sent them in to me in the ordinary course; and I would ask him if he had checked them over, and he said “Yes”; and then afterwards I signed them—acting for Mr. Ellison, I signed my name to the accompanying order; but that was after the railway officials had signed for them in the first place.

Q.—But you accepted your responsibility in the spring of 1914, or the winter of 1914, and decided to change the policy with regard to payment, didn't you—with regard to overpayments? A.—Well, I don't know about that. I am told now that it is claimed in this Committee that there were overpayments right along; and if there were I don't know anything about them. I don't know that we were changing our policy exactly; but we were trying to be a little more liberal in the release of money.

Q.—What was the change of policy you made? A.—To be a little more liberal; and to be as liberal as possible in releasing any money.

Q.—What would that mean? A.—Well, that would mean to increase the percentage that Mr. Gamble had been issuing.

Q.—If you were deciding on a change of policy you would know what the change consisted of, surely? A.—Well, as a matter of fact, this was done at a meeting with Sir Richard and Mr. Gamble, and I was only there for about three minutes altogether. Sir Richard called me in, and he was the Leader of the Government, and he was the man who declared the policy of the Government, and when I did not agree with that policy it was up to me to resign my position. But he always had charge of the Railway Department—

Mr. Hanes: Mr. Bowser, you stated you were releasing this money more liberally so that it would go into the construction of the road in 1914. Is that what you said? A.—Yes, in order to put a lot of men into work.

Q.—Well, how was it in August P. Welch drew out \$400,000—eight cheques of \$50,000 each? A.—I don't know anything about that.

Q.—Was that the reason why it was intended to be more liberal? A.—I don't know anything about that, because I did not have anything to do with the drawing of cheques.

Q.—Well, I might state it is a fact that he drew out in August, 1914, eight cheques of \$50,000.

Mr. Maclean: Where did he draw it from?

Mr. Hanes: The books will show that.

Mr. Maclean: I just want to know where he drew it from.

Mr. Hanes: I am going to ask Mr. Bowser this question. How would he draw that? A.—He would draw it on a voucher, I suppose—or at least on an estimate.

Q.—On August 22nd, 1914, the books will show that P. Welch drew eight cheques of \$50,000 each; did that go into the construction, do you know? A.—I don't know anything about it.

Q.—Is that the reason the Government were being more liberal in paying out the money so that he would be able to draw out that money? A.—It certainly was not. There were no moneys paid out on any cheques except it went into the construction of the road. I do not know anything about his private transaction of eight cheques of \$50,000 each.

Q.—Well, as a matter of fact, if that was the case, and if he was being paid this money to go into the construction, and it did not go in there, the Government must have been fooled in the matter. A.—Well, I don't know anything about that. That is a matter of opinion, I suppose.

The Chairman: Is that all, Mr. Hanes?

Mr. Hanes: Yes. I just wanted to be sure, when this money was being paid out so liberally, that part of it was on account of allowing him to draw out this \$400,000, which did not go into the construction at all. A.—Well, as far as I was concerned, there was no arrangement for a liberal release of money for any improper purpose.

Q.—So right there, Mr. Chairman, when we have heard so much discussion about this bread-line, and money being needed for that, there was \$400,000 being drawn out for some other purpose which had nothing to do with the construction of the road.

The Chairman: Well, let us get at it in another way, Mr. Bowser. The contract for the work on this road was let by the Company to Mr. P. Welch? A.—Yes.

Q.—And you knew that Mr. P. Welch was a member of the firm of Foley, Welch & Stewart, the original contractors for the Government? A.—Yes.

Q.—The promoters of the Pacific Great Eastern Railway? A.—I did.

Q.—You also knew the Pacific Great Eastern Railway had issued the stock in that Company to Foley, Welch & Stewart? A.—Well, I knew that last session.

Q.—Didn't you know it before that? A.—No, I don't think so; because when the questions in regard to it were put on the Order Paper last session, in order to get the answer I had to go to Mr. Tate in order to get the answer to put on the Order Paper.

Q.—Well, at any rate, you knew that the Pacific Great Eastern Railway had no assets other than those that Foley, Welch & Stewart had? A.—I don't know what assets they had accumulated in the meantime. I know that their townsites were in a different company; but I didn't know what assets the Pacific Great Eastern had accumulated.

Q.—Well, you knew that P. Welch was a party to this original agreement which was going through, and to which the Government was a party. Now, what did you consider the security to be that the Province had for the money which they were putting up under their guarantee bond? A.—Well, the principal security, I thought, was Foley, Welch & Stewart's private company, as well as their being a great big contracting firm; and they had always paid their way before, and they had a very high financial standing.

Q.—And they were the ruling power behind the whole scheme? They were the ruling power behind the Pacific Great Eastern Railway? A.—They certainly were.

Q.—And you knew that the Pacific Great Eastern Railway Company had let the contract for the work of the construction of its road to one of the members of Foley, Welch & Stewart? A.—Yes, I knew that.

Q.—You knew that they had let it by private contract to P. Welch? A.—I don't know that I had anything to do with letting the contract.

Q.—Well, every one in the Province knew it. A.—Well, every one in the Province knew it from Liberal speeches, and some of these I did not take much stock in.

Q.—Well, that is a curious matter. A.—I did not know anything about it officially.

Q.—Well, whatever you knew unofficially does not matter; but officially you did not know anything about that, you say? A.—I just knew from what I heard, and from newspaper talk.

Q.—Well, you were the Attorney-General of this Province, and you were one of the acting-members of the Government; and you say you don't know officially, as a member of the Government, the Pacific Great Eastern Railway Company let the contract to P. Welch? A.—No; it never came before me that I can remember, not officially at all.

Q.—And you did not know that he was a member of the firm of Foley, Welch & Stewart at all? A.—I knew that, because the contract was signed by him as a member of the firm of Foley, Welch & Stewart.

Q.—Well, you knew that he was the same Welch? A.—Yes; there is only one Pat Welch.

Q.—And did you know that the Government was paying out the money to the Pacific Great Eastern Railway Company on the basis of the unit prices fixed in that contract? A.—I did not know anything about the unit prices.

Q.—Didn't you know that there were any? A.—No, I did not know anything about it, and it was none of my business; and I would not know, anyway; I am not a railway-man or an expert. That is a matter for the Railway Department to fix that up. It was no concern of mine.

Q.—Well, the trouble is that we got the railroad-man here and he did not know anything about it. We had Mr. Taylor here. A.—Well, that is a matter between him and Sir Richard. It was not a matter for me to fix the unit prices. It was a matter which belonged to another department, and I don't know anything about that.

Q.—I did not ask you that. I asked if you knew—I did not say “officially knew”—but I asked whether you knew, or had reason to know, that the prices fixed as the basis upon which the amount was paid by the Province to the Pacific Great Eastern—it was on the basis of the prices fixed in the contract between the Pacific Great Eastern Railway Company and Pat Welch? A.—I don't know anything about that. I never heard anything about the unit prices until this investigation started, or that there was any question that the unit prices were not fair.

Q.—You never heard it until this investigation? A.—No; I would not know what “unit” prices were. I am not a railway expert.

Q.—Well, you know that accusations have been made during the political campaigns for the last two and a half years on this very thing? A.—There were accusations made that P. Welch had been making a lot of money out of his sub-contractors.

Q.—Do you remember last winter bringing down in the House the answers to questions, which showed a comparison of the prices between P. Welch and the Canadian Northern Railway?

A.—I think Mr. Taylor did so.

Q.—Well, didn't you know about it? A.—I would not know anything except by the Orders.

Q.—Well, didn't you read them? A.—I don't know that I did. I was a pretty busy man last session. I had a lot of other troubles—and one of them was the Prohibition question.

Q.—Well, this inquiry is dry enough without getting on to that. But we have always been told, Mr. Bowser, that you were a kind of master of the situation? A.—No. The Liberals said that.

Q.—That was not so. You knew in 1914 that Foley, Welch & Stewart were not able to put up their share of the money as the work went on, necessary to complete the work? A.—I knew from what Sir Richard told me. I had not any discussion with Pat Welch.

Q.—Well, you knew it? A.—I knew what they were up against; that they were having a hard time to finance it; and they could not get the necessary money from the banks to carry on the work.

Q.—Well, all right. That is what I want to get. And knowing that, you told us up to that time you considered the chief guarantee as the protection to the Province was the Company of Foley, Welch & Stewart? A.—Yes; because the Pacific Great Eastern Railway Company at that time would not amount to anything. They were just a newly incorporated company and would not have any assets of any account.

Q.—Now, if Foley, Welch & Stewart were falling down in their part, it meant increased payments—or more liberal payments (to use your language) by the Government? A.—It meant the releasing of as much money as we could out of the proceeds of our guaranteed funds, which money was lying loose in the banks.

Q.—Well, now, when you determined on that policy, what protection was there to the Province for this increase? A.—The protection of getting the road constructed, in getting it going as a going concern, and getting it along farther, and getting it in touch with the Grand Trunk Pacific, so that it could earn some money, and to try to earn enough money to pay the interest on our bonds.

Q.—Now, here was the situation, whether you knew it officially, or unofficially, or any other way; the situation at that time was Foley, Welch & Stewart were not living up to their contract because of the admitted financial embarrassment of the Pacific Great Eastern. A.—Well, I don't know that. I would not say that they were not living up to their contract. At that particular time they could not raise any money, but I would not say they could not raise it afterwards.

Q.—Well, at that time they were not able to do so. The Pacific Great Eastern had no money to put into it; you knew that? A.—No, I did not know that. I simply knew that they had difficulty in financing.

Q.—You knew that there was a contract existing at that time between the Pacific Great Eastern Railway Company and P. Welch? A.—Yes; I knew P. Welch had the contract.

Q.—And you knew P. Welch was of the firm of Foley, Welch & Stewart? A.—Yes.

Q.—That controlled the Pacific Great Eastern? A.—Yes.

Q.—And therefore a concern controlled by Foley, Welch & Stewart made the contract with a member of Foley, Welch & Stewart? A.—Yes; I knew that he was a sub-contractor.

Q.—Yes—Pat Welch was. And the prices determined on in that contract must have been fixed on in that way, whether they were unit prices or any other prices. A.—Well, that would be for the Railway Department to fix the prices they were allowing Pat Welch, or allowing the Pacific Great Eastern.

Q.—And you knew that these estimates were prepared by the engineer of the Pacific Great Eastern Railway? A.—Which estimates?

Q.—On which these moneys were being paid out in a more liberal manner, you have told us. A.—Well, I suppose the estimates came from some one, in the first place, in the Pacific Great

Eastern Railway, and were then checked over and approved by Mr. Gamble. Somebody has to issue them.

Q.—You knew Mr. Gamble was the only man to check them over? A.—He would do it, or whatever assistant he had.

Q.—You knew he hadn't any. A.—I knew he had some.

Q.—Well, he told us he was the only engineer the Government had to do this work? A.—Well, I don't know anything about that.

Q.—Well, did you know that he had any charge of the Pacific Great Eastern? A.—I don't know that he had any charge of it.

Q.—Or the Canadian Northern Railway? A.—Well, the C.N.R. would be pretty well along in the spring.

Q.—Of 1914? A.—Yes.

Q.—Was the work actively in operation at that time on the C.N.R.? A.—I don't know about that. I know that one of our chief difficulties in Vancouver, and which was the cause of swelling up the bread-line, was owing to the men who came off the C.N.R. and who were out of work; so we were trying to get away from that state of affairs.

Q.—Well, we have heard a great deal of the bread-line in Vancouver, Mr. Bowser. A.—Well, it was existing. You know it yourself. Thousands of men in Vancouver were begging on the streets and it was necessary for us to relieve that situation in some way.

Mr. Hanes: Well, if P. Welch drew out that \$400,000, that money did not go into the "bread-line." A.—Well, I did not know that P. Welch was drawing it out, or what he was doing to the bread-line; but I know this Government had to do something to relieve it.

Q.—Well, if he drew out \$400,000 it did not go into the bread-line, did it? A.—I don't know a thing about that \$400,000, Mr. Hanes. I don't know what you are talking about, so I am not in a position to express any opinion on it.

The Chairman: Before you determined on this more liberal policy, did you take any steps to find out how much money Foley, Welch & Stewart had put into the Pacific Great Eastern? A.—No. I hadn't anything to do with it.

Q.—You did not take any steps to find out? A.—I had nothing to do with it. It was a matter between the Premier and the Minister of Railways. It was not my concern.

Q.—Did you make any inquiry of the Premier about it? A.—No.

Q.—Did you advise the Premier as to the legal effect of that section 9, subsection (d)? A.—It was talked over that morning when Mr. Gamble was there. But I do not think I was there for more than five minutes on that occasion. The result of the conversation was, we came to the conclusion that Mr. Gamble could make a more liberal release, and that under all the circumstances it would be a most proper thing to do.

Q.—Did you ascertain the percentage that was held back at that time? A.—No.

Q.—Well, what did you mean by a "more liberal release"? A.—Well, because the discussion between the three of us brought forth the suggestion that there could be a more liberal release, and under the circumstances it was considered best.

Q.—On what basis? You were dealing here with millions, and you could not deal with these millions on a loose basis of "a more liberal release" without getting down to what it meant in dollars and cents? A.—That was not for me to go into. That would take months to go into. I was just called in incidentally to this meeting between Mr. Gamble and Sir Richard, knowing that they had already paid out the Vancouver money, and they wanted more; and Mr. Gamble and Sir Richard, and I presume Mr. Taylor, were the ones who would go into that. You would not expect that I would that morning start to find out what it meant. That was not in my Department, and I had confidence in Sir Richard and the Railway Department.

Q.—The Legislature in the spring of 1914 increased the guarantee to the railroad, didn't it? A.—Yes.

Q.—After this bread-line situation had first developed? A.—What is that?

Q.—I say, after this bread-line had developed in Vancouver, a further guarantee was given to the Railway Company by the Legislature? A.—Well, I could not tell. I don't know when we gave that.

Q.—The guarantee was increased from \$35,000 a mile to \$42,000 a mile? A.—Yes; and it was increased to the Canadian Northern to the mile too.

Q.—I am not concerned just now with the Canadian Northern mileage. But the mileage here was increased from 450 miles to 480 miles, wasn't it? A.—I don't remember about the mileage. It will probably be in the Act. That would be a matter for Mr. Gamble to know the mileage.

Q.—So in addition to this more liberal policy that the Government decided in this casual way, the Legislature gave them this additional guarantee? A.—Yes; we gave both railroads an additional guarantee. We thought that they could not operate or construct the road at the amount of the original guarantee, and we had lots of precedent for that.

Q.—And did you increase the Canadian Northern guarantee in that same session—in 1914? A.—Yes.

Q.—Then the work on that road could not have been completed at that time? A.—No—well, perhaps it was not.

Q.—Well, I say, at the time the bread-line was bothering you in Vancouver, and the time that this more liberal policy was being pursued, you were still increasing the guarantees to the Canadian Northern? A.—Well, if that is the date, 1914, we did it at the same time as the other—at the same session.

Q.—Then at that time Mr. Gamble had also the responsibility of the C.N.R. on his hands? A.—Well, possibly. But they were treated even more liberally than the Pacific Great Eastern, because they did get \$12,000 from the Dominion Government more than the P.G.E.; and the P.G.E. is a far more expensive road to build than the C.N.R.; and there is nothing new about that. The G.T.P. did the same thing with the Government at Ottawa; they came back again for further assistance.

Q.—There was no provision made by the Government, was there, for a more liberal policy in paying out those trust funds? A.—I don't know; I could not tell as to the dates.

Q.—The Legislature met in 1915? A.—Yes.

Q.—Now, this same policy was still being pursued at the time of paying the moneys out to the Railway Company? A.—In 1915. I imagine that same policy was followed right along to the last.

Q.—And there was no intimation given at that time of any change being made? A.—I don't know that it was asked. I don't know that it ever came up. There was no reason why it should come up at the session.

Q.—There was no defining of the powers given the Government under section 9, subsection (d), so as to give the Government additional authority for this more liberal release of funds? A.—No; because we felt that we had got the discretionary powers to release the money in that way, and I do not see why we would want to bring in any further legislation, holding that view.

Q.—Now, we have been told by Mr. Gamble, by Mr. Taylor, and by Mr. Tate that never at any time was there any question raised about the effect of that section 9? A.—Well, I am not responsible for that.

Q.—We find that there are letters here from Mr. Gamble, or there were certificates time and time again, showing clearly the recognition of the effect of that section—that it meant the Railroad Company was only entitled to get a *pro rata* amount? A.—Well, I don't know what is on Mr. Gamble's certificates. I only know the opinion I hold of the section.

Q.—I want to know when you, as Attorney-General, ever took the responsibility of saying that that section gave you the power to pay out the full amount of those trust funds to the Railway Company? A.—I don't think I was ever asked to say anything about it.

Q.—When miles and miles of that road had never been touched or when a rock had never even been turned in it? A.—I don't think I was ever asked to.

Q.—I did not ask you that. I asked you when it was ever determined such was the case? A.—Well, when I was not asked about it, I never determined it. There was no reason for me giving an opinion on it.

Mr. Hanes: Well, Mr. Bowser, why did you, as the Acting Minister of Finance, pay out any certificates without determining first whether you were violating that section or not? A.—Because this was the practice that was being followed in connection with each certificate. One certificate followed the other. Mr. Ellison would perhaps sign the one prior to the one I would sign if he happened to be out of town; and these were brought up to me in the ordinary way from the Finance Department by Mr. Goepel; and he would ask me if there was going to be a meeting of the Executive Council that morning, and I would say "Yes." and he would say,

"I have an estimate from the Pacific Great Eastern"; and following on the practice that we had been following before that, I would ask him if he had checked it over, and he said "Yes," and it was signed by Mr. Gamble and Mr. Tate; and on his statement that it was all in order I would *pro forma* sign my name as Minister of Finance.

Q.—In other words, as Minister of Finance you would sign practically everything that was put up to you? A.—Oh, I don't know about that.

Q.—Well, I ask you, as Minister of Finance, would you sign anything like that that they would put up to you? A.—Well, I had every confidence in Mr. Goepel and in the Railway Department; and they were paid experts who went into these matters; and it was not up to me to go down and look over the road and the construction of it.

The Chairman: Well, the trouble with that is, Mr. Taylor says he had every confidence in the Attorney-General? A.—I don't think Mr. Taylor says exactly that. I would like to hear what he says.

Mr. Maclean: He says, "I would say that no payments were made without the sanction of the legal department"; that is merely a suggestion that he throws out; that is in his evidence.

The Chairman: Where is that?

Mr. Maclean: Page 1601—at the top of the page.

Witness: Everything that went through the legal department was in writing. We did all our correspondence in writing, and all our opinions; and the books are all open. Every letter that I ever signed for the seven years that I was in there is there still, and it is easy enough to find out whether I ever gave an opinion on it.

Mr. Hanes: But after Estimate No. 21, as I understand it, Mr. Gamble did not recommend them for payment. Do you remember anything about that? A.—What is the date of Estimate No. 21?

The Secretary: Just give him that estimate.

Mr. Hanes: Now, if Mr. Gamble did not recommend any for payment after that date, what would be the result? A.—Well, I have heard since that he changed the wording of it to "the amount of work done," or something of that sort; but I think he signed the estimates. My memory is that his signature is on all the estimates.

Q.—If he did not recommend them for payment, and he changed the wording, who would be responsible for the payment out of those moneys when the engineer did not recommend them? A.—Well, I suppose he in a way recommended them, but the Executive Council would be responsible for them.

Q.—Was each one of those estimates brought before the Executive Council before they were paid? A.—Oh, yes; they are all passed first by the Executive Council.

The Secretary: The date of Estimate No. 21 is May 13th, 1914. A.—What is the estimate?

Mr. Hall: Let me have Estimate No. 20. A.—Are the minutes of Council in? You see, there is nothing in this 13th May estimate. It simply says, "The total value of certificates issued to date is \$6,977,742, covering the expenditure on construction on 209 miles of line between North Vancouver and Kelly Lake Summit."

Q.—You see, this amount may be transferred to the credit of the Company in accordance with subsection (d) of section 9. You see, those words are left out in Certificate No. 20. A.—What is the date of that?

Q.—This is 13th May, 1914. The change was made in 20 and not in 21. A.—There is nothing in 20 to bring it to my attention.

Mr. Hanes: Well, now, after Estimate No. 21, when Mr. Gamble did not recommend those overpayments, I will ask you again why did you pay out this money without finding whether it was correct or not? A.—I want to see 20, to find out whether you are correct or not. He says, "I have the honour to hand you for your consideration Certificate No. 20 for work performed by the above Company during the month of March last to the value of \$391,836.35. The total value of certificates issued to date is \$6,479,937.16, covering the expenditure on construction on 177.6 miles of line between North Vancouver and Kelly Lake." And No. 21 says, "I have the honour to hand you for your consideration Certificate No. 21 for work performed by the above Company during the month of April last to the value of \$497,804.84. The total value of certificates issued to date is \$6,977,742, covering the expenditure on construction on 209 miles of line between North Vancouver and Kelly Lake Summit." That is all he says.

Q.—Well, in the previous estimates he recommends this overpayment? A.—No; in the previous estimate he says the same thing.

Mr. Hall: The change is between 19 and 20, and not between 20 and 21. A.—He says, "This amount may be transferred to the credit of the Company in accordance with subsection (d)"; and that seems to be an opinion on the part of Mr. Gamble that we may do it.

Mr. Hanes: That is what he has sworn to. He has recommended them for payment up to that time; and when he did not recommend them for payment after that date, I am asking you why the Acting Minister of Finance paid the money out? A.—I think he did recommend them; he said that it might be paid out under that section. I don't know but what that is his opinion that it could be charged up to that section. And I say again, as Acting Minister of Finance, it does not affect my opinion at all. I depended on the Railway Department or on Mr. Goepel. I was too busy a man to go into this, and there were paid men who knew more about it than I did; I could not do it; and even if I had attempted to do it, I could not do it intelligently, because I did not know anything about it.

Mr. Hall: The point Mr. Hanes is getting at is this: After Certificate 19, and then beginning with Certificate No. 20, as far as Mr. Gamble and the Railway Department were concerned, there was no recommendation for payment? A.—Oh, well, there must have been a recommendation from the Railway Department, as far as I was personally concerned, or it would never have reached me. It did not come direct from the Railway Department to me. It came from Mr. Goepel.

Mr. Hall: Well, Mr. Gamble was very precise about that.

The Chairman: What is the date of that again—No. 20?

Witness: 14th April, 1914.

Mr. Hanes: Do you mean to say Mr. Goepel took the stand, under that subsection (d) of section 9, to pay out the money in full—that is, the full amount of the subsidy? A.—He did not take any stand, because that was the practice we had been following ever since the spring of 1914. Mr. Goepel checked it up.

Q.—In the spring of 1914 you were not paying it all out then. You were holding back a hold-back. A.—Up to July—I think we still had a hold-back in July.

Q.—Well, under the practice, if you thought it should not be done under that section without a hold-back, why should you pay it all out later on? A.—Well, there might have been a hold-back on those three estimates; if my dates are right, there was a hold-back in July.

Q.—Well after that they were paid out in full? A.—No. I think in July there was a hold-back of \$600,000.

Q.—Well, that was paid out afterwards, was it not? A.—I don't know; I could not say.

Q.—I think, Mr. Chairman, you will have to look that up, because I understand it was all paid out.

Mr. Hall: The last certificate shows the entire payment out. Mr. Flumerfelt, I think, signed that last certificate; the one of \$5,000.

The Chairman: We are getting the papers mixed up. I want Estimate No. 26.

Mr. Hall: I will just pursue this: Exhibit 41, 23rd December, 1915—Balance, sum in hand, viz., \$5,300, was paid out; and at that time, Mr. Bowser, Mr. Flumerfelt was the Minister of Finance? A.—Yes.

The Chairman: Mr. Bowser, I have here two documents which I think will connect this up. On the 27th October you were the Acting Finance Minister? A.—I could not say.

Q.—1914. At any rate, on the 27th October you received— A.—Well, I don't know that I was. I don't think I was the Acting Finance Minister at that time. I was the Acting-Premier on the 27th October.

Q.—At any rate, you received Exhibit 50, which I read to you. This is a copy of it—where is the original? A.—I don't know.

Q.—Well, I read it out to you and you assented to it. A.—Well, I don't know whether I received it or not. I suppose I must have received it.

Q.—You assented to the information that was given in it. Now we find here that that refers to Estimate No. 26. Then Mr. Gamble comes in with this statement. A.—What is the date of the estimate?

Q.—His estimate is the 19th October, 1914. A.—1914?

Q.—This is the one that they were complaining to you was being held up at this state. This is the original that was sent to your Department. Here is the letter. I want to read you this, and then I want to call your attention to another feature of it. It is dated the 19th October, 1914:—

"SIR,—I have the honour to hand you herewith Certificate No. 26, showing the estimated value of work performed (less retentions) by the Pacific Great Eastern Railway Company during the month of September to amount to \$1,370,954.48.

"The total value of work performed to date is \$13,920,016.92, covering the outlay on construction of 409 miles (corrected mileage) of line between North Vancouver and Fort George, over the whole of which distance work is in active operation.

"From the amount given above retentions amounting to \$1,115,853.16 have been deducted, which brings the total certificates issued to date up to the sum of \$12,804,163.76.

"The total estimated distance between North Vancouver and Fort George is 480 miles. In this distance there remains untouched seventy-one miles (corrected mileage), twenty-seven miles of which lies between White Cliff and Squamish, and forty-four miles between the 83-Mile Creek and Lac la Hache, the latter point being 282 miles north of North Vancouver.

"There are at the present time engaged upon this work a force of between 6,000 and 7,000 men.

"The total amount of guarantee, that is, \$42,000 per mile of line for a distance of 480 miles, is \$20,160,000. The estimated approximate final cost is \$27,811,927. This final cost may be materially increased before the work is completed.

"Therefore the amount required in excess of the guarantee to complete the road is \$7,651,927.

"The total value of the work done to the 30th ult. is \$13,920,016.92. Therefore the percentage of work done based upon the final estimated cost of the line is approximately 50 per cent. The approximate amount payable, therefore, under section 9, chapter 3, 1910, is \$10,080,000.00.

"The value of rolling-stock, plant, material, and supplies on hand on the 30th ult. may be assumed to be \$2,000,000."

"That is a letter from the Chief Engineer to the Hon. Minister of Finance, dated the 19th of October, 1914. Now, that was the certificate sent in by Mr. Gamble? A.—That is a letter to the Minister of Railways, is it?

Q.—Yes; at that time that certificate was apparently held up, and on the 27th October this wire was sent to you—Exhibit 50; and then we find this document. Which is this out of? What exhibit is this from?

Mr. Bullock: Those have not been put in yet.

The Chairman: Well, we will put those in now. This is a document dated the 29th October, 1914, and reads:—

"At the Executive Council Chamber, Victoria. Present: The Honourable Mr. Bowser, Mr. Taylor, Mr. Young. On the recommendation of the Honourable Minister of Finance"—who would that be? A.—Well, you will see inside whether it was Mr. Ellison or myself.

Q.—Mr. Ellison was not here then. "Present: Mr. Bowser, Mr. Taylor, Mr. Young"—you signed it? A.—Yes, possibly.

Q.—Then you would be the Acting Minister of Finance.

"—and under the provisions of 2 George V., chapter 34, 1912, 'An Act to ratify an Agreement bearing Date the 10th Day of February, 1912, between His Majesty the King and Timothy Foley, Patrick Welch, and John W. Stewart, and an Agreement bearing Date the 23rd Day of January, 1912, between the Grand Trunk Pacific Railway Company and the Grand Trunk Pacific Branch Lines Company and said Foley, Welch and Stewart.'

"His Honour the Lieutenant-Governor of British Columbia, by and with the advice of his Executive Council, doth order as follows:—

"That subject to the provisions of subsections (c) and (d) of section 9, Schedule A of the said Act, the sum of \$1,370,954.48 be paid to the Pacific Great Eastern Railway Company out of the moneys deposited by the Company in the Union Bank of Canada, at Vancouver, to the credit of the Minister of Finance of the Province.—A. CAMPBELL REDDIE, Deputy Clerk, Executive Council."

And then on the next page—well, that was approved: "Approved and ordered this 4th day of November, 1914." On the next page it says:—

"To His Honour the Lieutenant-Governor in Council. The undersigned has the honour to recommend: That in accordance with subsections (c) and (d) of section 9, Schedule A, chapter 34, Statutes 1912, in the matter of the Pacific Great Eastern Railway Company, the sum of one million three hundred and seventy thousand nine hundred and fifty-four dollars and forty-eight cents (\$1,370,954.48) be paid to the above Company out of the moneys deposited by the Company in the Union Bank of Canada, Vancouver, to the credit of the Minister of Finance of the Province of British Columbia, the Company having, by Progress Estimate No. 26 annexed hereto, expended that amount.

"Dated this 20th day of October, 1914. Approved this 20th day of October, A.D. 1914.—THOMAS TAYLOR, for Minister of Finance, W. J. BOWSER, Presiding Member of the Executive Council."

Now, according to those documents, you were recommending these payments pursuant to this section of the Act? A.—Well, that was the formal reading of all this.

Q.—Well, it is not a mere formality at all. A.—That is the practice we have been following right along since the spring of 1914 with reference to those payments.

Q.—This is a solemnly executed document directed to His Honour the Lieutenant-Governor in Council? A.—Yes.

Q.—Reciting that these payments were made pursuant to section (d) of section 9? A.—Yes.

Q.—And you pursued that policy in face of the information received by this wire of Mr. D'Arcy Tate's, saying practically that Foley, Welch & Stewart were not able to put up any money? A.—Well, that would not necessarily say they would not be forced to do so. Foley, Welch & Stewart, in my opinion, are always good; and they are good to-day, I think. We had a bond of \$50,000—

Q.—Well, that did not go very far in this transaction. A.—Well, that is what the Statute called for.

Q.—Did you see that that bond was renewed? A.—No; because that was long afterwards; the renewal of the bond came up—the question of the renewal of the bond.

Q.—Do you know that the bond was allowed to lapse? A.—I have heard since that it was. I think that there is some correspondence in connection with that which I left on the Attorney-General's table—Mr. Macdonald's—when I left the Government. But the renewal of the bond and the bond lapsing was an entirely different proposition, in my opinion, because there would be nobody who would have the conscience to enforce the completion of the railroad on the date called for in the Statute. It was utterly impossible owing to the war and other conditions.

Q.—Now, I put it to you again—in face of these documents that I have just read—

The Chairman: In view of the fact that the contractor for this road was a member of the firm of Foley, Welch & Stewart, who were the promoters of the Pacific Great Eastern Railway Company; and in view of the fact that these estimates were passed on the basis of prices fixed in that contract, made privately between the Pacific Great Eastern Railway, and P. Welch, as a member of the firm of Foley, Welch & Stewart; and in view of the fact that the engineer of the road carrying these estimates during construction was an engineer who must of necessity have been the instrument of Foley, Welch & Stewart; what protection had the Province? A.—The Province had the protection of their guarantee, and the protection of the bond, and the protection of any securities or any assets which they may have acquired.

Q.—Assuming that practically all the moneys going into the road at that time were coming from the guarantee moneys of the Province—there is not much doubt about that, is there? A.—I do not know that it was—

Q.—Well, there is no getting away now from it, looking at it now? A.—Well, looking at it now, we can all be wise after the event.

Q.—Don't you think that when you received a telegram like this, appealing for funds, that it was time the Government looked into the matter, to see what money had been paid? A.—There was no more reason for the Government to look into the situation then than there was in the spring of 1914. It was following the practice adopted then, to relieve the situation. They had 6,000 men working there and no money to pay them. There was money to the credit of the bond. If it was a proper and businesslike proceeding, in our opinion, in the spring of 1914, there was no reason why we should stop and not continue the pay-roll in October of 1914.

Q.—Well, isn't it a fact that all the moneys were coming from the guarantee fund with regard to these progress estimates which the engineer sent along; and isn't it a fact that you

knew at that time that the Government were practically putting into the construction of that road every dollar that went into that railway? A.—I don't know that they were.

Q.—How could you help knowing it? A.—I don't know that.

Q.—Then I will ask you, in face of that, let us assume that the private contract made between Foley, Welch & Stewart and the Pacific Great Eastern Railway would have the effect of making the prices high; what protection was there then for the Province against overpayments? A.—Well, I am not going to answer any question based on pure hypotheses; it is a matter for argument; you are putting in a question assuming something, and putting words in my mouth; I say that I do not know that.

Q.—I am not saying that there were (overpayments); but I am just saying that it was one of the things that in the interests of the Province should be guarded against; and it was one of the dangers that one would expect in a contract which was made between two parties, one of whom turned out to be the contractor, that they would be able to fix their own prices; and when the Province was putting up the money on the basis of those prices, one of the things that should be guarded against by you, as an official of the Government, would be the possibility of those prices being excessive. Now, I say, assuming that they were excessive, what protection had the Government against such a thing? A.—I say that they had the protection of the guarantee of the Company, which I thought was perfectly good, and also the bond. We had to meet conditions that were abnormal, on account of the general depression, and also on account of the war; if the war had not happened, in my opinion this Committee would not be sitting here to-day, and Foley, Welch & Stewart would have finished their contract; and I think that they would do so yet if they were given an opportunity; I think they are perfectly good.

The Chairman: That is all the questions I have to ask on that phase of it.

Mr. Pooley: Do you know, Mr. Bowser, if Foley, Welch & Stewart were getting an amount by way of guarantee from the Dominion Government? A.—I knew they were working on that all the time.

Q.—Do you know, as a matter of fact, if they had got that guarantee? A.—No; and I do not think they will ever have it.

Q.—You know that they were contractors in a large way of business in other parts of the Province of British Columbia? A.—Yes, I knew they were big contractors; and they had contracts down in Halifax and contracts on the Canadian Pacific, and they had contracts on the Grand Trunk Pacific and on the Canadian Northern; and, of course, they were expecting to receive the guarantee from the Dominion Government.

Q.—Now, as a matter of fact, in 1914 there were very large sums of money due to them from the Canadian Northern and from the Grand Trunk Pacific which they have not been able to collect? A.—Yes. They had debenture bonds of the Grand Trunk Pacific for a lot of their balance that was due to them on the Grand Trunk Pacific construction which they could not negotiate. Mr. Stewart told me that.

Mr. Hanes: Did you know, Mr. Bowser, that Mr. P. Welch was going to get this contract? A.—No.

Q.—Mr. Taylor (T.) stated that that matter was discussed in the Executive in regard to Mr. P. Welch's contract. A.—I don't ever remember it being discussed when I was there.

Q.—Was it discussed during your absence, in the Executive? A.—No, I don't think it was ever discussed by the Executive.

Q.—When Mr. P. Welch was granted this contract, or awarded this contract, do you know if it was awarded to him personally? A.—No, I don't know anything about that.

Q.—Well, I am asking you, Mr. Bowser, when Mr. P. Welch took the contract, and undertook to do this work for the Railway Company, did you think that he was solely the contractor, or personally, as it appeared? A.—I don't know that I can speak on that view of the matter; I am not in a position to express any opinion on it.

Q.—In fact, did you know that Mr. J. Stewart and that Mr. Foley were interested in this contract that appeared in the name of P. Welch? A.—No; not until it came out before this Committee, and I saw it in the papers.

Q.—So that to that extent you were not informed in any way that P. Welch was holding it in trust for somebody else? A.—No; I had nothing to do with that; that didn't come to my knowledge.

Q.—You didn't know it as a matter of fact? A.—No; I never heard of it until it was brought out here.

Mr. Hall: Did you ever have the letter of Mr. Gamble to Sir Richard McBride drawn to your attention; it was a letter of December, 1912, in which he (Mr. Gamble) pointed out to Sir Richard McBride that the prices charged by Mr. P. Welch were greatly in excess of—I think the expression was “much in excess”—of other prices for similar work at the Coast?

A.—No.

Mr. Maclean: With regard to that, I would say that the evidence clearly shows that it was wrong.

The Chairman: That is not the issue to which Mr. Hall draws attention, and I do not think that your reference is fair.

Witness: Well, I never heard a word of it (the letter).

Mr. Hall: Do you know the total amount of the bonds was \$20,000,000, as I remember it; do you know that the amount of work actually done, that is, the cost of the work actually done by Mr. P. Welch is \$11,357,733 (referring to exhibit)? I am showing you now Exhibit 206.

A.—Yes; well, I think that I had some information on that feature brought to my attention after I became Premier, because I started then to make some personal investigation of the matter in order to find what the position was with the Pacific Great Eastern Railway. Before that Sir Richard McBride and Mr. Taylor did it all themselves; but something of that nature was brought to my attention.

Q.—The actual cost of the work was in the neighbourhood of \$11,000,000? A.—The actual cost of the work to him?

Q.—Yes. A.—Oh, no; I cannot say anything about that; I am not talking about it; I am talking about the total amount of the estimates.

Q.—The total amount of the estimates, less the cost of the work? A.—Yes.

Q.—Well, what I am asking you is, do you know that the cost of the work to Mr. P. Welch was \$11,357,733? A.—Yes?

Q.—I am reading that to you from Exhibit 206, which is Mr. Welch's statement. A.—Well, I do not know that I would connect the cost of the work with Mr. P. Welch, especially the Pacific Great Eastern Railway; I did not know anything about that at the time, about these sub-contractors.

Q.—Did you know that the cost of the work was approximately that amount? A.—I cannot tell you the figures; I can say that after I became Premier, when I was in Kamloops, at the time that Mr. Flumerfelt was going into the matter at my suggestion, and I know something came up then, when I was there up at Kamloops.

Q.—And that was when the cost of the work was mentioned as approximately what amount? A.—Well, I could not tell you the approximate amount.

Q.—Well, it is rather important. In view of the question that I am asking you, which is this: In view of the cost of the work being \$11,000,000, doesn't this letter, which you have never seen, and which was written to Sir Richard McBride, have a most important significance in reference to the matter? A.—Well, I would not know, because that letter was written in 1912, was it not?

Q.—Yes; December, 1912. A.—I didn't hear of it; I never saw it; that is a kind of hypothetical proposition you are asking me about.

Q.—I am linking those two together, to see if there was any information in that connection, or anything further that you would care to say in regard to that question; that is, the cost of the work is shown to be \$11,000,000, and there is a reference here to the excessive prices, and there is the fact that they have received the proceeds of \$20,000,000 of bonds. A.—Well, I do not know anything about the excessive prices. That is for this Committee, I suppose, to find that out.

Q.—Did I understand you to say that the C.N.R. was less expensive than the Pacific Great Eastern Railway? A.—I have always been told so. The Canadian Northern Railway Company's chief trouble would be through the Yale Canyon, and the Pacific Great Eastern Railway having rock-work right from North Vancouver to Squamish, and far more expensive work up from Squamish to Cheakamus than the Yale end; because they had no way of transportation; they had to put in a road from Lillooet.

Q.—Can you make that comparison, unless you know what the cost of the main line was of the C.N.R.; can you state what the main line cost? A.—No, I do not know anything about that.

Q.—Do you think it is fair to give a statement of opinion like that without knowing the comparative cost of the road? A.—That is what I have always been told; and I have been over both of the roads myself, and I know that the C.N.R. is on the opposite side of the Fraser and from the C.N.; they could have their supplies brought in there much more cheaply than they can get them up around and through Cheakamus and Anderson Lake and Seton Lake, because, at the other end, they have to haul it by teams from Lytton; I know that of my own knowledge.

Q.—As to the cost of the C.N.R. per mile, you cannot give us any approximate figure even? A.—Oh, no; I do not pretend to know that.

Q.—Reference was made by you a few moments ago to the conditions brought about by the war, and the necessity at that time of keeping the men at work along the Pacific Great Eastern Railway; that is correct? A.—Well, that was before the war; this is the situation that we had on the Mainland, that was before the war.

Q.—Well, labour conditions became serious, you say, in the spring of 1914? A.—Yes.

Q.—And in August of 1914 were there not a number of works shut down? A.—In August of 1914?

Q.—Yes. A.—Well, I don't know what you are referring to.

Mr. Pooley: Due to conditions caused by the war?

Witness: Well, I don't know absolutely what you are referring to.

Mr. Hall: For example, on the Island we had the C.N.R., and you remember that work was stopped just before the commencement of the war; what I am driving at is this: that was the argument used in connection with the work on the Pacific Great Eastern Railway, that the work must be kept up, and the reverse applied as to the Island work. A.—Oh, the condition in Vancouver arose in the early spring of 1914. The C.N.R. were still at work, and the employment of men that were idle on the Island was without any reference to the situation in Vancouver. What we wanted was to try and get the unemployed out of Vancouver, to get them to the C.N.R., and to the North Thompson, and to the C.P.R., and the Grand Trunk Railway was finished, and we wanted to get them out on this road; we wanted to get them going somewhere to earn money.

Q.—Well, just along the line of my question. That serious labour difficulty was not relieved, I take it, in a minute; why was not the same labour-shortage argument or the same policy not adopted with respect to the Canadian Northern on the Island here? A.—Because that condition did not exist on the Island.

Q.—Do you say that there was no shortage? A.—Not in the spring of 1914.

Q.—There was no surplus of labour? A.—No.

Q.—And the effect of shutting down the work on the C.N. would have the result of throwing men on the labour market? A.—You are talking now about conditions that existed in August, 1914; but I am talking about the conditions in the early spring of 1914.

Q.—I am drawing your attention to the conditions which existed in August, 1914, when the work was stopped on the C.N. A.—I suppose that the men that stopped work—if it was stopped in 1914—could go over to the Mainland and join the Pacific Great Eastern crowd; they had 6,000 or 7,000 men working in the summer of 1914.

Q.—These were the men who had been taken up in the spring? A.—And all during the summer; that class of men are drifting all the time.

Q.—And so these overpayments were to be allowed to the Pacific Great Eastern Railway, and the men on the Island here were to go over to the Mainland to take advantage of this work, allowed to be done by these liberal overpayments? A.—I do not think that condition existed; and it was never in our minds in the spring of 1914 as to labour on the Canadian Northern, because they were at work on the Island; and I don't know that it was ever brought to my attention that there was any surplus of labour in August of 1914 on the Island.

Q.—You know that when the work was stopped these men were thrown on the labour market? A.—We were carrying on this work on the reserve during some of that time, and taking care of some of the men.

Q.—Exactly; and this work was stopped on the Island. A.—Well, I don't know about that.

Q.—You have said that you didn't know that Mr. P. Welch, or Foley, Welch & Stewart were the same as P. Welch? A.—No; I knew that Mr. P. Welch was one of the members of the firm of Foley, Welch & Stewart; I knew that; the contract shows that.

Q.—And did you carry that further, and did you know that Foley, Welch & Stewart were interested in P. Welch's contract? A.—No, I never knew that.

Q.—Would it make any difference if you had known it? A.—Well, I could not say—

Q.—Mr. Gamble stated here that if he had known it, he would not have drawn those certificates—

Mr. Pooley: I think what Mr. Gamble stated was that he would have made a closer supervision.

Mr. Hall: Well, I will use that expression, Mr. Bowser. A.—Well, I suppose that if the matter was brought to our attention we probably would—I never heard of it; I was most surprised when I heard of it, and when it came out before the Committee.

Mr. Pooley: Mr. Taylor (T.) gave the same evidence:

Witness: I never heard a word about it; I thought it was P. Welch's private contract.

The Chairman: What difference does it make; surely if it was a contract with one member of the firm, or with the firm as a whole? A.—Well, if it was one member of the firm, he was to take the responsibility himself if he made a loss on his contract. After all, it is a question of whether he was being overpaid on the price allowed him; that is the whole thing, whether he was getting a fair price.

Q.—The whole question is whether, in the circumstances and the relations between the two parties to the contract, there was a guarantee that it would be an honest contract; that is the whole point. A.—Whether or not it may be an honest contract, or a dishonest contract, is for this Committee to decide; it is a matter of whether he was allowed a higher price than he should have obtained; supposing he had been allowed a fair price, what objection is there to that?

Q.—It is a question whether or not it is a proper kind of contract altogether; and if the Government should pay out the full amount of moneys going into the construction of the road on the basis of that contract, and only Mr. Gamble, who was here in his office at Victoria most of the time, to protect the Government. A.—That is a matter for the Railway Department; I do not express any opinion on that. I naturally thought that they had a sufficient staff there to handle their work; and they certainly could have got the staff if they needed more men.

Mr. Hanes: Mr. Bowser, you have stated that the money was paid out for one reason on account of the bread-line in Vancouver, or surplus labour? A.—That was one of the conditions that touched the matter.

Q.—It has come out in evidence here, on a statement of Mr. P. Welch, that he made a profit of \$5,000,000 on this particular work; what have you to say as to Mr. Welch making approximately \$5,000,000, which he was taking out of the contract at this very time when he was stating that he hadn't got the money to proceed? A.—I am not in any position to offer any opinion on that.

Q.—As a matter of fact, is it not possible that he was misleading you as a member of the Government when you were informed that he needed this money, and that he was diverting it for his own purposes? A.—I see it is claimed that it went into their other enterprises, on which we have a first mortgage.

Q.—But it did not go into the construction of the railway as it was supposed, did it? A.—I don't know that; I could not tell you; you will have to deduce that from the evidence before you.

The Chairman: That first mortgage was only securing the loan on the Development Company? A.—No; but what I mean is this: that if P. Welch has made a profit, and it went into the townsites and other subsidiary concerns, that the Province would have the benefit of it, because they have a first mortgage on their assets.

Mr. Hanes: They didn't have that mortgage at the time, did they? A.—They had the mortgage after last session.

Q.—Yes; but before the last session the Province didn't have the mortgage? A.—Not on the townsite.

Q.—And you know now that the Government paid out these moneys, and you have also found out from Mr. P. Welch's statement that he made \$5,000,000 profit, along about 1913 and 1914, on this work? A.—I understood that they had a lot of money in it, and I made a statement in the House to that effect last session, which statement I got from officials of the Company; I made it honestly, and understood that they had several millions of dollars in it; I was not there for the purpose of deceiving the public, and I understood they had that money.

Mr. Maclean: The evidence is that they did have it.

Mr. Hanes: I am asking you, if you do not consider, taking your word for it, that they rather misled you? A.—Well, I don't know; Mr. Maclean here says that they actually had it.

Mr. Maclean: \$3,000,000.

Witness: That is for the Committee to decide; I know they told me, and I made that statement to the public in good faith, and believing it.

Mr. Hanes: Then I will put the question to you in this way: If they had not taken \$3,000,000 or \$4,000,000 out of the profits, and this extra \$400,000 which Mr. Welch drew in August, 1912, they would not have needed to press the Government for the payments on account of the work at that time? A.—They would have had to press the Government for the amount of their estimates, if the prices were right in the first instance.

Q.—But if they had not withdrawn these millions of profit, and this extra \$400,000, it would not have been necessary for them to press the Government for these moneys at that time, would it? A.—Well, it might not have been, if they turned the profits in.

Q.—No? A.—But, of course, the Government did not know anything about that; that has been the result of the work of this Committee.

Q.—I would like to have your opinion again of this subsection 9, section (d), with reference to paying-out of the moneys, such sums as are justifiable, having regard to the proportion of the work done and the materials and supplies purchased, as compared with the whole of the work done and to be done. Does not that mean that the amount altogether paid out shall be in proportion to the work done, compared to the total work to be done? A.—Well, that is a very difficult section to interpret, and a very difficult section to put into force, it seems to me, under the geographical conditions that you have in a country of this kind. For instance, you may be going through the Cheakamus Canyon, and it will cost you far more than it will cost you for that portion of the work north of Clinton.

Q.—Doesn't it mean that the money shall be paid in proportion to the work done, as compared to the total work done and to be done? A.—I have not heard all the evidence given here, and you can quite see that it is a difficult proposition to work out on a proportion; I am not a mathematician, and would be unable to do it.

Q.—What is your opinion of that clause, as Attorney-General, acting at the time? A.—I say that it gives a discretion; and that discretion was exercised in the spring of 1914.

Q.—Does it mean when it says that the money shall be paid out, such sums as are justifiable having regard to the proportion of the work done, as compared with the whole of the work done and to be done; does that mean that you can pay out all the money if the work is only half done? A.—Well, I don't know about that—

Q.—How much money can you pay out under that section in proportion to the total amount of work done? A.—I could not tell you that.

Q.—What amount of money could you pay out under that section of the total amount of money from the subsidy, under that section? A.—Well, I suppose, if you are strictly interpreting that section, without reference to any of the conditions that were existing, and if the financial conditions had not existed then, the chances are that no Government would have paid out the whole of the money. But we were doing the very best we could, as a business Government, to try and keep things going, and to meet the situation which was unparalleled in the history of the Province.

Q.—How much could you pay out under that section; what is the amount? A.—I could not tell you how much you would pay out; that would be a matter for the engineer to work out, I presume.

Mr. Maclean: And for the lawyers too.

Witness: And the railway engineers too.

Mr. Maclean: And if you had worked under that proportion you would have paid about twice as much as you did?

Mr. Hanes: I am not asking the questions of you, Mr. Maclean; I am asking Mr. Bowser. Are you acting for Mr. Bowser, Mr. Maclean?

Mr. Maclean: No; I am acting for the Railway Company; and it is a very important matter for them, as to whether these payments were legal or not.

Mr. Hanes: I just wanted to know if you were acting for Mr. Bowser.

Mr. Maclean: No, I am not acting for Mr. Bowser; I am acting for the Pacific Great Eastern Railway Company, and it is a matter that they are very deeply concerned in.

Mr. Hanes: Now, I am asking you, Mr. Bowser—we will leave out the war conditions and the hard times—do you say that the Government would be justified, or not, in paying out all the money under that subsection I have mentioned? A.—I do not think that that position would ever have happened; if the war had not occurred, I think that that road would have been completed to-day.

The Chairman: These payments, however, were being made before the war? A.—There existed a bad condition generally, and the slump had taken place in the Province, and people were starving and could not get work.

Q.—There is the further trouble that it was not necessary to let all this money go to the Company to enable it to proceed with the work, because we find that within a very few weeks they turn around and loaned \$250,000 to Rodell, Stewart & Welch; was that a proper thing to do; that money might have stayed in the Province? A.—Well, I do not consider that it was a very proper thing to do; but we did not know about it.

Q.—And their improper action was made possible by your improper action? A.—I do not think it was an improper action (the Government's action). I think it was a businesslike action in facing the conditions that confronted us in 1914, because in August, 1914, conditions got worse, and owing to the war it simply made it impossible for them to build the road or to get the steel or anything else.

Q.—There is just one question which we have not yet got answered; you were asked whether, as the law officer of the Government, acting at that time, you consider under subsection 9 of section (d) of Schedule A, the Government, under a strict interpretation of that section, could pay out the total amount of the trust fund; could they legally do that? A.—I think we had a discretion; we had a discretion, and it was for the Court to decide whether it was legal or not: my opinion is not worth very much, and I am not here to give an opinion on that.

Mr. Hall: Well, under subsection 9 of section (d), it states that the money shall be paid out in such sums as are justifiable, having regard to the proportion of work done and materials and supplies purchased for the said railway, as compared with the whole of the work done and to be done; I want to ask you if the Government could pay out the full amount of the subsidy under section (d), subsection 9? A.—What I say is this: that if those conditions had not happened, we probably would not have done it; but we thought that we were justified in doing what we did by the conditions that were then existing in British Columbia.

Q.—If those conditions had not existed, as you suggest, it could not have been done under this Statute? A.—Well, there is a discretionary power there to my mind.

Q.—Well, if those conditions did not exist, could the Government pay out that money under that section; could they pay out the full amount? A.—If those conditions had not existed?

Q.—Yes, if the war conditions had not existed. A.—They would not have done it; there would be no necessity.

Q.—Then, how much would they have paid out; what does that section mean? A.—I could not tell you.

Q.—Does that section mean that they would only pay out, if the work was half done, half the money, for instance? A.—No, I would not say that.

Q.—What does it mean? A.—I don't know—that is just where the difference of opinion comes in; you have a different opinion of it to what I have; if we were both on the same side of politics, we would probably have the same opinion.

Q.—How much money should be paid out under the proper interpretation of that section? A.—I don't know; I could not tell you; I have not worked it out, and I must admit that when I started to interpret the section I found that it was a difficult one to interpret. It had been worked out on the C.N.R., and it was originally got from the G.T.P. contract at Ottawa; I think that is where it came from, and we introduced it into this railway.

The Chairman: Let me point out what it says here; it says, shall be paid out in such sums as are justifiable—it does not have any regard to the war; such sums as are justifiable, having regard to the proportions of work done and materials supplied and purchased, as compared with the whole of the work done and to be done; that is, the basis of comparison to make it justifiable. A.—Well, I know; but you can take any ordinary contract into Court, and the Court will give an interpretation—there may be nothing said in regard to the war; but the Court will give a liberal interpretation to it on account of the war.

Q.—Then, I ask you why, after the war conditions arose, you did not ask the Legislature to extend that section so that you could do legally what you were doing illegally? A.—I don't know why. Perhaps if we had felt that the matter was coming up as it is before this Committee, we might have done something; there was no reason why we should not do it; we should be in about the same position as you are in now, when you can get anything you want; we could have applied for it, the same as you have done.

Mr. Pooley: The result of these payments was, by putting these men to work on the Pacific Great Eastern Railway, that you got some return for the money which you might otherwise have to expend in keeping them in Vancouver? A.—More than that; we were getting the road somewhere, and we were increasing the credit of the bondholders, and because at that time we were only running a few miles out from Squamish, and we were getting along into the cattle country, where they could get good returns; and we hoped every month that the war was going to finish. Everybody was hoping for this; and we thought that six months would see it through; and we thought we could get ahead and have the road up to the Grand Trunk Pacific connection, and that we thought, would be excellent business; there would be the freight traffic that would be diverted via Prince George. It was all done for the best, and everything taken into consideration.

Mr. Hanes: In view of that statement, all this money that was paid out did not go into construction, but went into the Development Company, and into the Equipment Company, and into profits, and that money did not aid in the construction? A.—We were perfectly honest in the efforts we made, and if somebody else did something that they should not have done, we were not to blame for it. We were certainly dealing with a very serious situation, and I believe that the public at that time approved of our action in regard to the policy that we were following; and I think everybody was delighted to think we were trying to get the road finished.

The Chairman: Is that all, Mr. Hanes?

Mr. Hanes: That is all along that line, Mr. Chairman.

The Chairman: There is another matter that has been mentioned here, Mr. Bowser. Mr. Tate made a statement in regard to payments to the Conservative party, in regard to campaign funds, and you have heard the statement read in the House? A.—Yes.

Q.—Do you wish to make any statement with regard to those campaign funds which Mr. Tate says were paid? A.—No; I do not, at this stage, wish to make any statement about contributions to campaign funds, to either party.

Q.—I am not making any suggestions, or anything else, but do you wish to make any statement? A.—You will have to take the answers as they come; you cannot always have the answers in the way that you wish them. I desire to further state that during the fourteen years that I have been in public life in this country I have never profited by a single dollar personally of any contribution, from any source, to any campaign funds that there might have been in connection with the Conservative party; and that if any evidence is given before this Committee more direct than what Mr. Tate has given, I then propose to tell what I know, and it may be a very interesting story to the Liberals of the Province. In the meantime I propose to answer no questions about campaign funds.

Mr. Pooley: One thing occurs to me on that point. Mr. Macgowan, who was a witness in the inquiry, told us there was some amount—or it was brought out in evidence that he received some \$9,000 on a sub-contract—

Mr. Maclean: \$7,500.

Mr. Pooley: \$7,500. Had you any knowledge that he had any contract of that nature? A.—I never heard of it until I saw it in the *Times* newspaper; it was most surprising news to me.

Q.—Have you anything to say as to whether or not any other members of the Legislature, directly or indirectly, had anything to do with contracts of that nature? A.—I never heard of a single member of either the Conservative or Liberal party—or any other party, for that matter—profiting under any contract in the Pacific Great Eastern Railway; that is all I can say. It was a surprise to me when I read of Mr. Macgowan.

Mr. Hanes: What was the method of disposition of the money that Mr. Tate mentioned—\$500,000? A.—I decline to answer any questions like that.

Q.—We want to know, and I am asking you if you know— A.—Well, I am telling you that I do not propose to answer them.

Q.—I will ask you again: In what way did Mr. Tate dispose of this money, that \$500,000, or any portion of it, to your knowledge, for campaign funds or political or election purposes? A.—I repeat again that I do not propose to answer you.

Q.—I just want to have that definitely. A.—You can have it definitely. I do not propose to answer any questions along that line.

Mr. Hanes: There was a resolution passed, as I understand it, pertaining to this inquiry, and the Legislature instructed this Committee to call in any members to give answers to questions regarding the disposition of that money; and that is why I am asking the question. I was, as a member of the Committee, instructed to do so by the House. And I will ask you the question again: If you will tell us how those moneys were disposed of, or any portion of them? A.—I am not going to answer the question; I am not going to make any statement of any kind as to any campaign funds to any party.

Q.—You refuse to answer the question? A.—Yes; I refuse to answer the question.

Mr. Hall: I take it, from what you have said, that it is a fair inference that you know? A.—I refuse to answer that question.

Q.—I was drawing that inference? A.—I cannot stop you from drawing inferences.

Mr. Hanes: I think, Mr. Chairman, that this Committee were instructed to get these answers; and if we do not get them we should take some action.

The Chairman: Well, there is only one action to be taken—to report to the House.

Mr. Hanes: In view of the fact that Mr. Bowser declines to answer any of these questions, as far as I am concerned, I do not care to ask anything further of him; but I am in favour of reporting to the House; I think that should be done.

The Chairman: That is up to the Committee. It was thought to be only fair to Mr. Bowser that he should be given an opportunity to make any statement. Now it is up to the House to decide in the matter. As far as our duties are concerned, they are clear.

Witness: Is there anything further, Mr. Chairman?

The Chairman (after reference to the members of the Committee): In view of your replies, that disposes of your evidence for the present.

(Witness retires.)

Mr. Hanes: I might ask, Mr. Chairman, if Mr. White is here this morning—Mr. Ed. White?

The Chairman: I was advised by counsel that Mr. White was in Seattle. For that reason I did not issue the subpoena. I was authorized by his counsel to make that statement to the Committee.

Mr. Hanes: Mr. Ellis has authorized you to make that statement—Mr. Ed. White is not in Victoria?

Mr. Ellis: Mr. Chairman has given the correct statement.

Mr. Hanes: I was informed that he was still in Vancouver.

The Chairman: I am speaking of the knowledge of counsel. That is sufficient for our purposes to get the warrant.

Mr. Hanes: I would like to ask if it is the intention to get the warrant?

The Chairman: There will have to be a motion to the effect that we report it to the House.

Mr. Hanes: I will move that we report to the House that Mr. Ed. White has failed to return with the ledgers which he was asked to produce before the Committee, and that necessary steps be taken.

Mr. Hall: Will you make that a separate report?

Mr. Hanes: I am not particular, so long as it is reported. It is a separate matter, and should be reported separately.

The Chairman: I think it is proper that there should be a warrant issued for White; there is a warrant for Tate. He (Mr. White) is in contempt of this Committee. I do not see why it should not go through as a separate motion.

Mr. Hall seconded.

Chairman put motion to meeting. Carried.

Mr. Ellis suggested that the Chairman should mention the matter of certain books which had been produced.

The Chairman: It is suggested that the books of the operating department of P. Welch's Company are very much needed in Vancouver for the daily routine work; and it is suggested

that you (Mr. Hanes) and the Secretary look them over to see that there is nothing there that will be specially needed here.

Mr. Hanes: Well, I might state, Mr. Chairman, that I am not in favour of returning any books while we are dealing with this matter, because they have refused to produce the books we asked for; and this operating department have put in a report showing they made a loss, and I do not think they lost anything, as a matter of fact. I am not in favour of returning any books or documents, and would not undertake the responsibility of allowing them to be returned.

The Chairman: We will leave it that way until the next meeting; Mr. Hanes and the Secretary will report in the morning.

Mr. Hanes: I move—if it is in order—that it be reported to the House that Mr. Bowser refused to answer the questions.

After a short discussion it was decided that the report could be made to the House on the motion to-morrow (Wednesday) morning.

Committee adjourned to 10 a.m. of the following day, Wednesday, April 25th, 1917.

THIRTIETH SESSION.

WEDNESDAY, April 25th, 1917.

The Commission of Inquiry herein met at 10 a.m. pursuant to the adjournment of April 24th, 1917.

Present: Messrs. J. W. de B. Farris (Chairman), F. W. Anderson (Secretary), H. C. Hall, H. S. Hanes, J. M. Yorston, L. W. Shatford, W. R. Ross, and R. H. Pooley; H. A. Maclean, Esq., K.C., appearing as counsel for the Pacific Great Eastern Railway Company; J. N. Ellis, Esq., appearing as counsel for Messrs. Foley, Welch & Stewart.

Minutes of previous meeting read by the Secretary and formally approved.

The Chairman: Mr. Clayton was to have been here this morning.

Mr. Lawson: Mr. Chairman, I have been instructed by Mr. McMullen, the C.P.R. solicitor, to appear here this morning to object to any documents being produced by Mr. Clayton. I might just read Mr. McMullen's letter to us, which shows the position that they take. He says:—

"Please state to the Committee that we, of course, have no interest in the inquiry, but it is our duty to protect our patrons, especially in view of the Revised Statutes of Canada, and must refuse to disclose the contents of any telegram, except under subpoena duly issued."

Sections 5 and 6 of chapter 126 of the Revised Statutes of Canada is the "Telegraph Act." Section 6 prohibits every telegraph operator in the employ of the Telegraph Co. from divulging any telegram except when lawfully commanded to do so; and he is liable to a penalty and summary conviction by a Justice of the Peace for infringing the Act.

The Chairman: Well, that subpoena is now merged in a direct order of this Committee to that witness.

Mr. Lawson: Well, that is not an objection to the form of the subpoena. It is the description of the documents he is required to produce. I presume that the order does not describe them in any more particular way than they are in the subpoena. Here it reads, "to produce all telegrams or copies thereof at any time since the 5th inst. from Victoria to Vancouver to any of the following persons": and then it sets out the names of the persons. The same point was decided in the case of *Dwight v. Macklam*, 15 Ontario Reports, at page 157; and this is just a short extract from the judgment of Boyd Chancellor which I would like to read to the Committee. There he decides that the subpoena must not only describe the telegrams, but it must give the dates, so that the witness will know exactly what he has to produce.

"The Irish cases are equally decisive on the point. In one of the later cases, in 1881, *in re Thomas J. Smith*, in 7 Law Reports, Ireland, the report says: 'Motion on behalf of the assignees of the bankrupt, Thos. J. Smith, that the secretary of the General Post Office, Dublin, do produce at the hearing all telegrams sent from the bankrupt, Thos. J. Smith, on and subsequent to the 8th of May, 1881, to his wife, or any other person. Gerrard for the assignees. In the Athlone Election Petition case, in which I was engaged, an order for production of telegrams was made by Fitzgerald, B., and Barry, J.' Ryland, for the Postmaster-General, cited the Taunton case and the Stroud case, and said: 'In the Bolton case the production was ordered, but there the contents

were known. Even if the order be made, it should be so limited as not to cast unnecessary trouble on the department.' And 'the Court made an order for the production sought, but intimated that the subpoenas in cases of this nature should be so limited by reference to the date, etc., of the documents sought to be produced as to cause as little trouble as possible to the Post Office Department.' That is the rule here."

The Chairman: We are not causing half so much trouble to the department as they are causing to themselves.

Mr. Lawson: It is impossible for Mr. Clayton to know what telegrams you desire him to produce. This is simply a sweeping subpoena that does not show who they are signed by, or does not give the dates of any particular telegram.

The Chairman: Well, we have given the dates between which we want them, and the witness told us yesterday that with comparatively little trouble he could turn up and find all such telegrams.

Mr. Lawson: Well, that is the position I take.

The Chairman: Of course, if we had any more definite information to give him, we would be glad to give it, and to save him any trouble. There is nothing in that case which says, as a matter of law, that the Committee here had no power to make the order that we have made here. I quite agree with the principle laid down in that case, that a subpoena should not impose upon the Company any more labour than necessary. We have done the best we could to avoid doing that; and we have had the assurance of the witness on that information he was able to produce the documents called for; and he intimated to us from the time he was here yesterday until this morning the search could be made in the interval, and the information could be produced. I might say, while a legal decision is not binding on us, I think we should follow them as far as possible; but I do not think there is anything in that decision which interferes with what we have done.

Mr. Hanes: Mr. Chairman, this legal decision has nothing to do with this Committee. This Committee asked for those telegrams between certain dates, and signed by certain parties, and they should be produced.

Mr. Lawson: Well, there is nothing in the subpoena to show what telegrams they were.

The Chairman: Yes; it says, all telegrams sent between certain dates and to certain persons. We are giving all the information we can. When we get a party who will furnish us with names and dates, then we will be glad to put that in the subpoena as well; but we want them all.

Mr. Lawson: Then, do I understand that Mr. Clayton is required to produce any telegram that comes within this description? Just to show how general it is—

Mr. Pooley: Well, Mr. Chairman, I might suggest if those telegrams be first shown to you, so if there is nothing in reference to this Committee that they should be considered private information and not necessarily be produced here.

Mr. Lawson: For instance, here is a telegram from Mr. Donald McLeod, which for obvious reasons it is not desirable to publish it; and it will be clear to you that it has nothing to do with this Committee, and it is probably not addressed to the same Donald McLeod you refer to. (Hands same to the Chairman.)

The Chairman: I think it has absolutely nothing to do with this investigation. It is purely a personal telegram which we have no concern with at all. It is not even private business, and it is on purely business matters that we are not concerned with at all.

Mr. Lawson: Well, you can produce the other telegram. That is the only other one you have got.

ANDREW WILLIAM CLAYTON, witness.

A.—This is the only other one I have.

The Chairman: The Secretary of this Committee is the guilty party in this. This is the telegram which has been read before to this Committee, and it is addressed to Donald McLeod, and is addressed care of Foley, Welch & Stewart, Vancouver:—

"You are requested to attend the meeting of the Select Committee *re* the Pacific Great Eastern Railway to be held in the Members' Room, Parliament Buildings, Victoria, at 10 a.m., Tuesday, the 17th inst.—(Sd.) F. W. ANDERSON, Secretary."

That is dated April 16th, 1917, and is marked "rush." That is the one which Mr. Anderson has read to this Committee before, and I think we had better return this to the company's files. Are there no others? A.—No.

Mr. Hall: Do you say that there are no others? A.—I would say that I am unable to locate any others. That is all I care to say.

Q.—Well, if there were any others you would have found them? A.—Oh, I presume so. Having made a careful search, I would have located any others just as easily as these.

The Chairman: Well, that is a frank answer. There is no evasion there? A.—There is no evasion there at all.

(Witness aside.)

The Chairman: With all that opposition one would have expected better results.

Mr. Lawson: It is simply a case of principle of the C.P.R. which applies to everything.

H. BLASHFIELD, witness, recalled.

The Chairman: You are already sworn. Have you complied with the request of this Committee? A.—I have.

Q.—Have you any telegrams to produce? A.—I have not.

Q.—That is to say, there are none? A.—To the best of my belief, there are none.

Q.—Well, now, what do you base that belief on? A.—On a search of the files.

Q.—Made by you personally? A.—No; by a reliable employee.

Q.—Oh, well. A.—With instructions to turn over to me any message addressed to the names specified in the subpoena, and she has given me to believe that there are none.

Q.—Well, you cannot swear of your own knowledge, then? A.—No, I cannot swear of my own knowledge; but I can swear to the best of my belief.

Q.—Who are your employees that made the search? A.—Miss Douglas and Miss Sherbourne.

Q.—How long would it take you to get them here? A.—I could not get them here now.

Q.—What is that? A.—I could not get them here right now.

Q.—Why? A.—Because she is outside, working on outside work.

Q.—What doing? What is she doing? A.—I think she is out collecting just now.

Q.—What time will she be in? A.—Probably about 4 o'clock.

Q.—And where is the other party? A.—She is in the office.

Q.—There are two girls? A.—Yes.

Q.—And you did not make any search yourself? A.—I did. I searched through about six or seven days of the period myself.

Q.—What days did you go through? A.—I don't know what I went through myself. We checked up the business.

Q.—There is the order which was given you. A.—We took the business for the period stated, and I went through some of it, and they went through some of it.

Q.—Well, surely you must have known that we would require first-hand evidence on that. A.—Well, I first went through our charge accounts—the accounts which would be likely to contain entries of the ones whom they would communicate with, and we have no memo. of any charge; and then I went through some of these, and they went through some of them; and when I spoke to them about what they found on the work—while I cannot swear they did not find anything—but they reported to me as having found none; and I can say in all sincerity and in all truthfulness that to the best of my belief there is no message on our file.

Q.—That is, honestly and without any qualification at all, you are satisfied that there are none there? A.—I am satisfied there are none there, and I have no reason whatever to doubt their report.

Mr. Hall: I have known Mr. Blashfield for some time, and I think when he makes that statement we can accept it as being all right.

The Chairman: Well, what about these girls; do you feel you want them called?

Mr. Pooley: I am quite satisfied with Mr. Blashfield's statement.

Mr. Hall: Yes, and I am quite satisfied.

The Chairman: How about Mr. Hanes? Do you want them brought here?

Mr. Hanes: No; I think I am quite satisfied.

The Chairman: Were there any other companies to be heard from?

The Secretary: No.

The Chairman: Are there any other witnesses to be called this morning?

The Secretary: No.

The Chairman: There was Mr. Hanes's resolution which was made yesterday, that the action of Mr. Bowser's refusal to answer certain questions be reported to the House, and that motion is not seconded.

Mr. Hall: Well, then, I will second that motion.

The Chairman: Is there any discussion before I put the motion? If not, I will put the question. All those in favour say "Aye."

Motion carried.

The Chairman: Now, I suppose, with regard to this evidence taken this morning, it should be brought before the House. I would suggest a motion that the balance of the evidence should be referred to the House, with a recommendation that it be printed the same as the other.

Mr. Hall: Well, I think, if you just mention "the evidence" in the broad term, that is sufficient; I do not think you need specify the pages particularly.

The Chairman: I say, "the balance of the evidence."

Mr. Hall: I will make that motion.

Mr. Hanes: I second it.

Motion carried.

Mr. Hanes: I would like to report on that resolution which was carried yesterday regarding the books of P. Welch, in which there was a request made that they should be returned to Vancouver. Now, as far as I am concerned, I am not agreeable to those books being returned, because there are other books that we have asked for from them which we have not as yet received; and I do not see why we should return any to them.

The Secretary: Well, I think you expressed yourself yesterday morning along the same lines.

Mr. Hanes: Well, the Chairman said that I might report this morning.

The Chairman: Well, let me understand; as far as the books themselves are concerned, is there anything in the books why we should not return them?

Mr. Hanes: Their statement shows that they lost \$500,000 or more on the operating; and those books show more; and I do not think that they lost that money at all.

The Chairman: Do you say that there are matters in there that the Government should go into?

Mr. Hanes: Well, I say, as a member of this Committee, that we have not gone into any of these affairs which we would have to go into to finally settle this matter.

Mr. Ellis: Of course, Mr. Chairman, if those books are necessary for your final inquiry, I cannot press the request any further, and would simply ask then, when the report is made up, that they should be returned. But, as I stated yesterday, these books are essential in the running of the business in Vancouver; and it is essential to every one that those books should be returned—no matter what the future of the railway is; as there are entries which are required to be made in them from time to time. There has been a suggestion made here from time to time that the Government might even take that road over, and anything of that kind may happen, and if so the accounts in any event must be kept up; so these books are necessary in Vancouver, and the fact that they contain the bills receivable and bills payable is a serious matter itself. You see, now, the clerks in the office in Vancouver have no information whatever to work on; and if the Committee can see its way clear to allow us to take them away as soon as they are through with their final report, or will take our undertaking that we will produce them at any time, or will allow their own auditor to go in the office and inspect them at any time, we would appreciate it very much; and we would be glad to facilitate you in any of these ways.

The Chairman: Well, in case we let you have them now, will you and Mr. Maclean, as counsel, give your undertaking to produce these books at any time?

Mr. Maclean: Yes, we will do that.

Mr. Hanes: I would like to know the exact books you are taking, because if it refers to those ledgers we have some more matters to go into as a Committee, and the books should not be removed from here.

The Chairman: Will you state, Mr. Williams, the exact books you want removed?

Mr. Williams: Yes; we will want the general ledgers, vouchers, agents' reports and vouchers and abstracts, in order to make up all the necessary returns. This does not include any of the cheque registers or any of the important books that you may want.

The Chairman: Of course, what I am interested in is to have the interest of the Province taken care of.

Mr. Williams: You see, it is the end of the month, and that is why they want them—to balance things up.

Mr. Hanes: Well, as far as I am concerned, until they produce the balance of the books that were required I am going to vote against the resolution returning them; so that settles the matter.

Mr. Yorston: Well, if you have the undertaking to produce them to any member of the inquiry when necessary, I think that would cover it.

The Chairman: Can any one make a motion on this thing, one way or the other, and let us get on?

Mr. Hall: I would suggest for the time being that the books you want should be brought in here before us, so that we can see what you require to remove.

The Secretary: Yes.

Mr. Williams: Do you want them brought in at once? I have three boxes which have not been called for yet, and consequently they have not been unpacked so far. We just left them there like that until they were needed; and they have never been needed so far. I could get them opened up for you within an hour or so.

Mr. Hanes: That is just what I stated. The Committee have not looked into that matter at all, and we were directed to do so under the resolution.

The Chairman: That is what we expected the Committee would do yesterday; but if you are simply basing your objections on the ground that they have not produced the other books, that is a different matter. We were in hopes what you and Mr. Anderson would do would be to report to us the nature of those books that they wanted removed, so that we could form our opinion on that.

The Secretary: Well, it was impossible to report when Mr. Hanes took the stand he did. The Committee would be divided, probably—

Mr. Pooley: We should have appointed a Chairman of that Committee to look into the books.

The Chairman: Well, I think the books had better be opened up now, and let the Committee individually go and look at them, and then we can decide what will be done with them at the next meeting.

Mr. Pooley: Well, do you think it is necessary that they should be brought in here?

The Chairman: No; but have them available so that the Committee can go in and see them.

Mr. Pooley: Well, I would suggest an adjournment now for a few minutes, and then sit later. Then they could get away on the afternoon boat if necessary.

Mr. Williams: We would like to get them away as soon as possible.

The Chairman: Is there any other resolution you wish to make at this stage?

Mr. Hanes: I have another one to make. I might state, Mr. Chairman, that this has nothing to do with hindering the Committee in making a report on the situation at present. There is no intention of doing that; but in reading over the resolution in the House, I noticed that this Committee was instructed by the Legislature, "they are hereby authorized and empowered to take the evidence of Mr. D'Arcy Tate and any other person or persons in any matter directly or indirectly connected with the Pacific Great Eastern Railway Company, or with Foley, Welch & Stewart, or with P. Welch, or any other person whatever, to give any and all evidence, produce any and all papers and vouchers showing the disposition of any moneys for campaign or political purposes, or for the purpose of obtaining charters, advantages or benefits, or moneys, or influence in respect of and in support of the Pacific Great Eastern Railway, its properties or enterprises, or contract or undertakings." Now, in view of the fact that this Committee has been instructed to do that, and the Legislature have not instructed us to do otherwise, why, so far as I am concerned, I feel if I quit at this stage I am not carrying out those instructions; and I thought I would like to propose a resolution to this effect: that the proper authorities, including the bank managers of the banks in which those accounts are kept, should produce the records they have, which will show the information we wish regarding the cheques which we expected Mr. Tate and Mr. Welch to give evidence in respect to. That is including the ledgers. We have a list of cheques of certain amounts issued on certain dates, and I think, under this instruction, we should proceed to find out from the proper authorities where that money went to and who cashed them.

The Secretary: I think, personally, that an investigation of this nature, so far as campaign funds are concerned, should certainly be done by a judiciary inquiry? If we are going to sit here and go into this sort of thing we will never get through.

Mr. Hanes: I am simply expressing my view. This is the instruction to this Committee from the Legislature, and they have not changed that instruction yet. I am stating, as a member of the Committee, I consider it is only right to proceed with this inquiry until the Legislature tells us to do otherwise; but that is not intended in any way to interfere with making a report on everything up to date. Then if the Legislature see fit to have a judicial inquiry into all these matters, and take it out of the hands of our Committee, that is quite satisfactory to me; but in the meantime, if this Committee stop now, we will never be able to explain why in the face of that resolution we quit; and it will be up to this Committee to explain.

The Secretary: Why can't the Committee report to the Legislature and recommend that such a course be taken?

Mr. Hanes: I do not think that they are taking any recommendations from this Committee.

The Secretary: I think, in a matter of that kind, were this to go on, and this gone into by the Committee, it might entail taking such a time we would be out of existence by the time we got through.

Mr. Hanes: I would be only too pleased if we could make our recommendations to the House.

The Secretary: I think it would be only fair to this Committee—

Mr. Hanes: If we could do so in this instance, I would like to make the recommendation. I might just state my view, and I think that that might possibly be gone into.

Mr. Hall: Well, I think Mr. Hanes is right in stating that we cannot make recommendations. But in what way will this help us out, Mr. Hanes, in having these things? You see, they would simply have an entry in their books of \$50,000, say.

Mr. Hanes: Wouldn't they have deposit slips?

Mr. Hall: If the cheque were deposited to some person's credit—but that would not show in the cheque.

Mr. Pooley: Of course, it would depend on what bank they are dealing with and what system they have; but I know when most cheques are issued and cashed they are returned to the drawer.

Mr. Hanes: I want these: The Bank of Ottawa, the Union Bank, and Bank of Commerce in Victoria.

Mr. Pooley: Well, I know in most cases, when you issue a cheque and it is paid, it is later returned to you. And unless there was a mark made in the ledger to ear-mark the cheque in, some way there would not be anything to tell who they would be issued to.

Mr. Hall: That is just the difficulty in not knowing who those individuals were the man went to.

Mr. Pooley: The old Bank of British Columbia always used to keep a note of to whom the cheque was payable, and then when the Bank of Commerce took over the Bank of British Columbia they did away with that.

Mr. Hanes: I have a list of cheques, and the parties who issued them, and who to, and the dates on which they were issued, and the cheque numbers.

Mr. Pooley: And do you think you would be able to trace that through the bank?

Mr. Hanes: Well, I am not positive; but I am suggesting that we should try to do it.

Mr. Hall: That is the list from their books, is it, Mr. Hanes?

Mr. Hanes: It was the first two on the list that Mr. D'Arcy Tate made his admissions on.

Mr. Hall: Well, why can't that be given in evidence?

Mr. Hanes: Well, we would have had it if they had remained in the country. We could have had their evidence on it.

Mr. Hall: Well, if that is shown by the books, I think that is proper evidence for the Committee.

Mr. Hanes: Mr. Taylor had a list of them, but he has got it away with him.

Mr. Hall: Well, you say you have that list?

Mr. Hanes: Yes, I have most of them.

Mr. Hall: Why cannot the books be brought before us and have that memo. taken from them?

Mr. Hanes: I think that is quite right; but, as I say, I gave the list to Mr. Taylor, and I think he has taken it away with him.

Mr. Hall: Well, if that list with those names on will give us any information, I think we ought to have them, and we ought to have those books.

Mr. Hanes: It won't give us the information from the books; and that is why I suggest the bank should give us the information.

Mr. Hall: I thought you got it from the books.

Mr. Hanes: That is as far as Mr. Tate and Mr. Welch are concerned. But when this Committee asked for those cheques to be produced they were missing, and if they were endorsed to anybody, I suppose it would be a reason for taking them out of the record. The banks could be subpoenaed.

The Chairman: How would a subpoena to the bank throw any light on those cheques?

Mr. Pooley: That is what I want to know. If it will, let us have them.

Mr. Hanes: Wouldn't the deposit slips show who they were deposited to?

The Secretary: Were they paid out to somebody? They were deposited in the bank, were they?

Mr. Hanes: They keep a record of who deposits the cheques.

The Secretary: Do they?

Mr. Hanes: Well, I think so. That is what they are for.

Mr. Pooley: Well, the Canadian Bank of Commerce doesn't.

Mr. Hall: This is the case here. Supposing that cheque were made by P. Welch to D'Arcy Tate, and by D'Arcy Tate endorsed generally, and Thos. Brown (whose name we do not know, but say Tom Brown) cashed that cheque; well, if we had that cheque we could have that information; but so far as the bank-books would show, there would be an entry of a cheque on that date of \$50,000 and that number; and I think that is all we would get from the bank; and, in fact, I am quite sure of it from the bank practice I have had. Now, if we can get that information from the banks, I would be most happy to get it; and that is what I have been struggling for for some time.

Mr. Pooley: I suppose every bank has practically the same system, and I know the Bank of Commerce, you would not get any information there of this kind.

Mr. Hall: Well, I know that is the way my account is treated in the Imperial Bank, but I don't know whether they ear-mark the cheques in any way.

Mr. Pooley: You don't know whether they ear-mark the \$50,000 cheques or not?

Mr. Hall: I know there are none.

The Chairman: Well, all I can say is, if there is any information of that kind to be obtained, it should be obtained. But in the meantime we have spent a month here going into the financial matters in connection with this Company and its construction, and that was the primary object of the appointment of this Committee, to make a report on that; and as soon as we get down to it and get it in, the better.

Mr. Hanes: Well, I agree with all that; but there is a second resolution instructing us to do certain things, and instructing this Committee what to do, which might be of secondary importance, but it does not say so; it might rank equally with the first resolution.

The Chairman: Well, that second resolution arose out of the refusal of Mr. Tate at the time it was intimated by Mr. Tate that if this Committee had the power he would answer certain questions, but when we got the power he unfortunately had a coal-mine to look after.

The Secretary: Well, I certainly think it would be much fairer to every one concerned if this were done by an independent judicial inquiry, apart from the Legislature. If we are going to get into politics, and that sort of thing, I think it is time for this Committee to quit.

Mr. Hanes: This Committee has to answer for their instructions; and if they don't, as I have said before, this Committee should carry out the instructions of the Legislature until such time as they get other instructions.

Mr. Hall: I may say, in connection with the Committee's instructions, I don't think we are called upon to give a final report at this time. We can give an interim report covering the main matters which have been dealt with, and the important matters upon which the Legislature could be called upon to deal with. I think the report should be gotten before the Legislature just as soon as possible, but I do not think there is any need or occasion to ask for our discharge. We can wait for a while, and if any of these gentlemen come back, Mr. Tate or any of them, we can at once have them before us; or if there is any way of ascertaining any information as to whom these payments were made, why, we should get it in any manner, shape, or form possible; but I must confess, from my knowledge of the banking practice, we would not be helped by the

banks; so I think we might just as well go on with that interim report as to the financial dealings and financial position of the Company. But, as to the Imperial Bank, I know how they deal with those matters. You spoke of the Bank of Commerce and what other bank?

Mr. Hanes: The Union Bank was one, and the Imperial—

Mr. Pooley: Didn't you mention the Bank of Commerce?

Mr. Hanes: No, I don't think so. Well, Mr. Chairman, so as to facilitate the work of the Committee, I am agreeable to making an interim report now; and I think it is open for any one of us to move that. I would move, if necessary, that a report be made up to date to the House.

Mr. Hall: And how would it be to carry it a little further and say, if any member of the Committee has any further evidence he desires to bring forward, that the Committee will meet at the call of the Chair, and the Chair will call the witness accordingly.

Mr. Hanes: Well, I will just move that, so that the Committee can make an interim report; and then we will deal with that other separately. I will move that, Mr. Chairman.

Mr. Hall: On all that we can deal with at the present time?

Mr. Hanes: Yes, up to the present time.

Mr. Hall: I will second that.

Motion carried.

The Chairman: I think that we had better move now that we go into private session and consider our report.

Mr. Hanes: Well, that motion I was suggesting regarding obtaining further information, do you wish to leave that over for a day or so? For instance, I would move that further information be obtained regarding those cheques.

Mr. Pooley: Well, if we have not closed the evidence, it is still open to anybody to bring in any evidence that they like.

Mr. Hall: Well, if Mr. Hanes thinks he can get any further information, he can have it produced.

Mr. Pooley: Well, you can do that to-morrow or any other day, but it does not require any resolution.

Mr. Hanes: Well, I will let it stand over for a day or so. I don't suppose I will forget about it.

The Chairman: Is there any other motion to be put?

Mr. Hanes: Of course, I don't want it understood that I am withdrawing that recommendation.

Mr. Hall: The next motion is, I suppose, that we go into private session to consider the matters necessary to be dealt with, and I move accordingly.

The Chairman: Is that seconded?

Mr. Ellis: I may say I am informed by Mr. Williams that those books are now unlocked and the Committee can go and look at them at their convenience.

The Chairman: We had better go now then.

(Chairman and Committee retire to examine books, and return on inspection of same.)

Mr. Pooley: I will make a motion, Mr. Chairman, that the books required to be moved, and which were shown to us, should be marked, or numbered, and designated in writing by the clerk in charge, Mr. Williams, and a receipt be given to the Secretary for those books; it being understood the Committee, in giving those books, is given the undertaking of counsel (Mr. Ellis and Mr. Maclean) that they will be at the call of this Committee at any time we want them.

Mr. Ellis: Yes.

Mr. Hall: Does that refer to the operating books?

Mr. Hanes: Yes; the books that they called out there as wanting to remove. I did not go through the material.

Mr. Hall: And counsel's undertaking also covers the fact that they are to produce them at any time here?

The Chairman: Is that motion seconded?

Mr. Hall: Yes.

Mr. Hanes: I said I am going to vote against it. There is no use discussing it.

Mr. Pooley: Before I vote on it I will ask, does Mr. Hanes want to attach any sort of reservation on it?

Mr. Hanes: No; we have asked them to produce all the books, and they have not done so and I am not going to vote for returning anything when they have not produced the books we have asked for.

The Chairman: I think that would be a sound principle to follow if it were not for the fact that the Province are interested in the financial situation of this road, and in anything that affects the financial interest done in the operating of that road; and these books are necessary for the entries to be made in them, and for that reason, and with the safeguard I have suggested in letting them have these books—the undertaking of counsel to return them if they are needed—I think the resolution is in order.

Mr. Hall: It is out of regard for the Province and not out of regard for the contractor that I am in favour of the return of them.

Motion carried.

Mr. Hanes: Against.

The Chairman: Mr. Hanes votes “No,” and the motion is carried. Now I suggest that somebody move that we go into private session.

Mr. Hall: I move accordingly.

Motion carried.

Committee went into private session.

REPORT OF COMMITTEE.

LEGISLATIVE COMMITTEE ROOM.

May 1st, 1917.

MR. SPEAKER:

Your Select Committee to inquire into the construction of the Pacific Great Eastern Railway and matters appertaining thereto begs to further report as follows:—

I. BRIEF OUTLINE OF ARRANGEMENT.

The construction of the Pacific Great Eastern Railway from Vancouver to Fort George was begun in the fall of 1912 by P. Welch under a contract entered into by him with the Pacific Great Eastern Railway Company on September 23rd, 1912, at unit prices as therein set out and according to specifications subsequently prepared.

The Pacific Great Eastern Railway was incorporated by chapter 36, Statutes of 1912, with a share capital of \$25,000,000. The Act provided that proceeds of sale of share should be applied on the construction of the road.

The incorporation of this railway was effected pursuant to a previous agreement entered into by Foley, Welch & Stewart, a firm of railway contractors, with Sir Richard McBride, as Premier of British Columbia, on February 10th, 1912, which agreement was given the effect of a Statute as Schedule A to chapter 34 of Statutes of 1912. By this statutory agreement the firm undertook to incorporate a company to construct the railway from Vancouver to Fort George, a distance (since determined) of 476.01 miles. They gave their personal guarantee that the Company would build, equip, and operate the road, and that the same would be completed by July 1st, 1915. They also undertook to indemnify the Province from the payment of any principal or interest which the Province might be called upon to make upon its guarantee of the Company's bonds.

The Company was authorized to issue thirty-year 4-per-cent. debentures, secured by a mortgage against the Company's property (other than terminals), to a total amount of \$35,000 a mile on a mileage of 450 miles. By later enactments, 1913 and 1914, this amount was increased to \$42,000 a mile for a mileage of 480 miles, and the interest to 4½ per cent.

It was further provided by this *agreement, Schedule A*, that the Province would guarantee the payment of the bonds. As a safeguard to protect the Province on application of the proceeds, it was provided by section 9, subsections (c) and (d), that the proceeds from sale of these bonds would be paid into the bank in a special account in the name of the Finance Minister, to be paid out by the Government in monthly instalments as the construction of the road is proceeded with "in such sums as are justifiable, having regard to the proportion of work done and materials and supplies purchased as compared with the whole work done and to be done thereon pending completion of the road."

The basis of the arrangement was that the Company from the sale of its shares and backed by the guarantee of Foley, Welch & Stewart would provide the additional amount above the Provincial guarantee necessary for the completion of the road. The proceeds of the sale of bonds were made a trust fund to be paid out proportionately on progress estimates as the work progressed, so that the exhaustion of this trust would be contemporaneous with the completion of the road.

The incorporators and first directors of the Company were Messrs. Foley, Welch & Stewart, D'Arcy Tate, and two others, employees of the firm. Mr. Tate became vice-president and general counsel.

In the Session of 1916, by chapter 8, provision was made for a loan to the Pacific Great Eastern Railway of \$6,000,000, in consideration of which \$2,000,000 in par value of shares of Company were transferred to the Province, and as security for the loan \$10,000,000 of par value of shares were hypothecated to the Province, and a mortgage was given covering the assets of the Company and of the Pacific Great Eastern Development Company.

II. SPECIFIC FINDINGS.

In connection with the above outlined transaction your Committee finds as follows:—

(1.) The promotion of the Pacific Great Eastern Railway Company was brought about by an arrangement entered into in the fall of 1911 between Mr. D'Arcy Tate and Mr. J. W. Stewart, of the firm of Foley, Welch & Stewart, whereby it was agreed that Mr. Tate should secure the charter and guarantees from the Provincial Government and a traffic arrangement with the Grand Trunk Pacific Railway Company.

He was to receive therefor a *commission* of one-quarter of the capital stock of the Company, amounting to \$6,250,000, and \$500,000 in cash. Mr. Tate undertook that out of this sum he was to provide incidental expenses, including campaign funds for the Conservative party, as might be necessary for the purpose. In due course the said stock was issued and delivered to Mr. Tate, and the \$500,000 was also received by him. From this fund disbursements for campaign purposes were made as arranged; but to what individuals in the Conservative party and in what amounts Mr. Tate refused to tell your Committee, and has since absented himself in the United States. Mr. W. J. Bowser, former Premier, was asked by your Committee regarding the matter, but absolutely refused to make any statement as to his knowledge of this payment of campaign funds. Mr. Thos. Taylor, former Minister of Railways, was also asked. He denied any knowledge of the transaction or that he received any of the money.

(2.) The total share capital of the Company was issued to Foley, Welch & Stewart. Shares to the amount of \$40,000 were fully paid up, and the balance, \$24,960,000, were issued to the promoters as fully paid up without cash consideration. In the opinion of your Committee, this share issue was illegal and improper, as being contrary to the provisions of section 21 of chapter 36, Statutes of 1912.

(3.) The contract which was let by the Company for the construction of the road to P. Welch was in reality a contract to the firm of Foley, Welch & Stewart, the promoters and owners of the Company, and was put in the name of P. Welch to conceal the real nature of the transaction. This contract was in direct contravention of sections 110 and 118 of the "Railway Act," forbidding the directors entering into a contract with their Company or to hold office if such a contract be made.

From this it follows:—

- (a.) That the contract for the construction of the road in the name of P. Welch is invalid:
- (b.) That Messrs. J. W. Stewart and Timothy Foley are disqualified as directors and have been illegally acting as such.

It appears that the other directors, E. F. White and F. Wilson, while each on salary at \$6,000 a year, were interested in sub-contracts, out of which they made substantial sums (Mr. White \$24,000 and Mr. Wilson \$14,000) without giving any apparent value therefor.

Mr. White also admitted that he paid nothing for his stock in the Company.

The contract made by the Company with Foley, Welch & Stewart in the name of P. Welch was an improper one. It enabled Foley, Welch & Stewart, acting through the Company, to fix for themselves without competition the prices they were to pay themselves in the name of P. Welch for the construction of the road. The contract was effected between J. W. Stewart, the president of the Company, a member of the firm of Foley, Welch & Stewart, and P. Welch, also a member of the firm of Foley, Welch & Stewart, at unit prices agreed on between themselves, which prices were fixed some months before the specifications for the road were prepared.

(4.) That the prices fixed by the contract made in this improper manner were excessive your Committee believes, for the following reasons:—

- (a.) The unit prices prevailing in this contract are greatly in excess of those in the contract made by the Canadian Northern Pacific Railway Company in the construction of its line in British Columbia:
- (b.) The opinion of the Government engineer, Mr. Gamble, in a letter written to the Hon. Sir Richard McBride on the 2nd day of December, 1912, in which he stated that the prices in this contract were very much in excess of those for similar work prevailing on the Coast:
- (c.) On a total expenditure by the Province of \$18,314,825, P. Welch, as appears by his own figures, made a profit of over \$5,000,000.

(5.) The Government has paid out the full amount of its trust funds without proper supervision or inspection of the work. Payments made to the contractor were made upon progress estimates certified to by the Company's engineer, Mr. Callaghan, who had been for some years an employee of the firm of Foley, Welch & Stewart, and who by virtue of the irregular relations between the Company and the contracting firm, was not in a position of an independent engineer, but was in reality at all times the representative of Foley, Welch & Stewart.

No check was provided by the Government to guard against the results of such a system. The Government engineer, Mr. Gamble, had no representative upon the work. He himself visited the work very infrequently and at such times made only a casual inspection. Mr. Gamble has stated to your Committee that he accepted the progress estimates as submitted by Mr. Callaghan on the assumption that the Company was independent of the contractors, and admitted that if he had known the true relations existing between the Company and its contractors he would not have been a party to the method adopted. As to how far Mr. Gamble's explanations excuse his course your Committee offers no opinion.

(6.) The extent to which advantage has been taken of the lack of proper supervision and inspection your Committee is not able to fully ascertain. To do so would require a physical inspection of the work by a large staff of engineers. That the system adopted did result in serious abuses appears clearly from the following instances presented to your Committee where the Company's engineer improperly allowed overpayments by the Government to the Company:—

- (a.) The sum of \$150,000 approximately was overpaid by wrongfully classifying "excavating" as "excavation in foundations":
- (b.) The sum of \$120,000 approximately was overpaid in payments for ballasting by paying for surfacing in addition to ballasting:
- (c.) The sum of \$20,000 approximately was overpaid by allowing payments for "merchantable lengths" for timber instead of paying for timber "in place" in trestles:
- (d.) The sum of \$25,000 approximately was overpaid by paying for "false-work" for Howe-truss bridge contrary to specifications:
- (e.) The sum of \$90,000 approximately was overpaid on wrongful classification by allowing approximately 10 per cent. of solid rock on approximately 1,000,000 yards of clay:
- (f.) Cull ties were not paid for by the contractor, P. Welch, but were paid for in full by the Company.

(7.) The bonds of the Company guaranteed by the Province have been sold to the amount of \$20,160,000, and there was realized from the sale of these bonds the sum of \$18,314,825, which was paid into the bank in the name of the Minister of Finance as a trust fund under the provisions of said Schedule A. The total proceeds of this trust fund have been paid over by the Government to the Company. *This payment by the Government was illegal and improper for the following reasons:—*

- (a.) The payments were made upon the basis of the prices improperly fixed by Foley, Welch & Stewart in the manner above described:
- (b.) The payments were made on the progress estimates prepared by the Company's engineer without proper independent check or inspection upon the part of the Government engineer:
- (c.) The Government has paid out to the Company the full guarantee of \$42,000 a mile for a total mile age of 480 miles, or 3.09 miles in excess of the total mileage; this item of overpayment amounts to \$163,800:
- (d.) The Government has paid the full subsidy of \$42,000 a mile on 284 miles not ballasted and upon which no track has been laid or bridges built; and it has paid the full subsidy of \$42,000 on *fifty-one miles* on which no construction-work has been done whatever:
- (e.) The Government overpaid the Company \$5,705,316.50 in contravention of Statute. This overpayment is in addition to any overpayments for excessive profits or upon wrongful classifications. The essential clause in the agreement between the Government and Foley, Welch & Stewart for the protection of the Province is subsection (d) of section 9 of Schedule A. The clear purpose of this was to

ensure payment from time to time as the work progressed by Foley, Welch & Stewart of the additional moneys required, so that the exhaustion of the trust fund provided by the Province would be contemporaneous with the completion of the road. Instead of this being done the guarantee has been paid in full while the road is far from completed. It is estimated that on the basis of the contract price it will require to complete approximately \$13,000,000. Instead of Foley, Welch & Stewart putting up their share as the work progressed, the amount paid the Company by the Government exceeds by over \$5,000,000 the actual cost to them of the work done. The estimated overpayment is based on the original estimate of total cost of \$27,811,927, but, as the present estimate of total cost is substantially larger, it follows that the overpayment really exceeds \$5,704,316.50 by a considerable amount.

The provision of subsection (d) as to the conditions upon which the trust funds could be paid out has been ignored and violated from the beginning. *The full responsibility* for this must rest upon the Government. The Orders in Council authorizing the payments were passed without any reference to the proportion of work done or any consideration as to the failure of Foley, Welch & Stewart to contribute their share.

The justification upon the part of the Government offered for this, that the payments were so made to relieve the bread-line conditions in Vancouver in the winter of 1914, cannot be supported. The practice was indulged in from the first payment in the fall of 1912, and was done in pursuance of the practice which it is stated had been previously carried on in connection with the Canadian Northern Pacific Railway under a similar contract. Instead of ensuring more work being done upon the road, the practice adopted tended to have the opposite effect, inasmuch as it enabled Foley, Welch & Stewart to withdraw from the work some millions which could not have been withdrawn had the Government adhered to the provisions of the Statute.

(8.) The bond for \$250,000 furnished by Foley, Welch & Stewart as a guarantee for the performance of their contract was allowed to lapse by the previous Government and is now of no value.

(9.) There is due the Government \$85,521.93 as the balance of the moneys deducted by the Company's fiscal agent in London on the sale of the guaranteed bonds.

(10.) Foley, Welch & Stewart have defaulted in their covenant to pay the interest on the bonds. The Province has been compelled to pay \$1,053,827 defaulted interest, and is faced with similar payments of nearly \$1,000,000 a year. Foley, Welch & Stewart have defaulted in their covenant to complete the road, and state their inability to carry out their contract. As to the firm's inability to complete, your Committee makes no finding, as Mr. Welch failed to return as promised for further examination.

(11.) The Province has no security for its bonded guarantee against the terminals of the Company or against the lands held in the name of the Development Company, or against the assets of the Equipment Company. The Development Company has sold to the Railway Company about 250 acres of land for over \$800,000, for which it holds the Company's note. This land is a part of some 1,100 acres purchased by the Development Company for approximately \$200,000.

(12.) The contention put forward on behalf of Mr. P. Welch that the contractors had lost money is not well founded. Upon the basis of their own figures they made a net profit of \$5,170,577. A portion of this money was undoubtedly reinvested in the Pacific Great Eastern Development Company and Equipment Company, but this in no sense is properly chargeable against the construction of the road. The promoters expected a harvest of large profits from their townsites and other lands. Mr. Tate stated that upon an investment of \$2,000,000 they expected to make \$10,000,000. If such speculations have not proved as successful as hoped for, this makes the venture none the more a legitimate part of the railway enterprise.

(13.) Following upon the disbursement of the full proceeds of the guaranteed bonds, the Province in the Session of 1916 made provision for a further loan to the Company of \$6,000,000. This legislation was enacted without further guarantees being taken from Foley, Welch & Stewart as to the overpayments already made. There has been no further guarantee secured from the firm as to the time of completion or as to the balance of the money necessary to complete the road.

(14.) Mr. A. H. B. Macgowan, a Member of the Legislature (about the time or shortly after the Session of 1914, when the additional guarantees were made to the Company), was given a

share in a sub-contract through the intervention of Mr. P. Welch. Mr. Macgowan was in no true sense a partner with the sub-contractors in whose contract he shared. He gave no consideration to his associates either in time, money, or otherwise. He received as his share \$9,000 paid him by P. Welch in several different cheques from August, 1914, to January, 1915.

(15.) Your Committee has found its recent investigations hampered by its inability to secure certain private ledgers of Mr. P. Welch kept in connection with the Pacific Great Eastern Railway matters, by the precipitous departure to the United States of Mr. P. Welch, Mr. E. F. White, and Mr. Donald McLeod, confidential representative of Mr. J. W. Stewart, also by the refusal to testify and disappearance of Mr. D'Arcy Tate, and the refusals to testify of Mr. Thomas and Mr. W. J. Bowser, M.L.A. The departure of Welch, White, and Tate was in defiance of the orders of the Committee. Your Committee feels that, in view of the absence of material witnesses and the inability of your Committee to act after the expiry of the Legislature, further investigations should be by another form of tribunal.

All of which is respectfully submitted.

J. W. DE B. FARRIS,

Chairman.

EXHIBITS.

Exhibit No. 3.

CONTRACT, DATED SEPTEMBER 23RD, 1912, BETWEEN THE PACIFIC GREAT EASTERN RAILWAY COMPANY AND PATRICK WELCH FOR THE CONSTRUCTION OF A LINE OF RAILWAY FROM VANCOUVER TO FORT GEORGE.

(INCLUDING ARRANGEMENTS AND ALTERATIONS MADE FROM TIME TO TIME.)

THIS AGREEMENT, made the 23rd day of September, 1912,

Between.

THE PACIFIC GREAT EASTERN RAILWAY COMPANY (hereinafter called "the Company")
of the first part;

and

PATRICK WELCH, of the City of Vancouver, in the Province of British Columbia (hereinafter called "the Contractor"), of the second part.

Whereas the firm of Foley, Welch & Stewart entered into an Agreement with the Government of British Columbia, under date of 10th February, 1912, for the construction of a line of railway from the City of Vancouver to the City of North Vancouver, and thence running north along the margin of Howe Sound; thence following the general course of the Squamish River and continuing north-easterly to Lillooet, on the Fraser River; thence along the bank of the Fraser River north to a junction with the Grand Trunk Pacific Railway at or near Fort George, a distance of four hundred and fifty miles, more or less:

And whereas the said Agreement was by the said firm of Foley, Welch & Stewart assigned to the Company by instrument dated 10th July, 1912:

And whereas the Company has entered into an Agreement with the Contractor for the construction of the line in question:

Now, therefore, this indenture witnesseth that the parties have agreed with each other, as follows:—

1. The Contractor will construct the line of railway along the route above described, or such other route as may be permitted by the Lieutenant-Governor in Council, and furnish and complete the said line of railway ready for operation in accordance with the standard of construction required by Section 7 (b) of the said Agreement of 10th February, 1912, and in accordance with the specifications to be settled between the Contractor and the Chief Engineer of the Company, within the time required by the said Agreement, and for that purpose will furnish the necessary labour, plant, and material, and do every thing necessary to complete the work as aforesaid.

2. In the construction of the said line of railway the Contractor will observe the provisions of the said Agreement dated 10th February, 1912.

3. The Company agrees to pay the Contractor for the said work the following prices, that is to say:—

Clearing, per acre	\$150 00
Trees cut down outside right-of-way, each	3 50
Grubbing, per acre	300 00
Solid rock, 500 feet free haul, per cubic yard	1 45
Loose rock, 500 feet free haul, per cubic yard	55
Cemented material and hard-pan	50
Common excavation, 500 feet free haul, per cubic yard	32
Slips, slides, and overbreak in rock excavation, per cubic yard	1 25
Excavations in foundations, no coffer-dams, per cubic yard	3 00
Overhaul all materials, per 100 feet over 500-foot haul, per cubic yard	02

Piling delivered as per engineer's bill, per lineal foot	35
Pile-driving, per lineal foot	35
Paving in culverts, per cubic yard	2 50
Crib filling with stone, per cubic yard	2 50
Hand-laid riprap, per cubic yard	2 00
Pierre Perdu random riprap, per cubic yard	1 25
Round logs in cribs, per lineal foot	25
Framed trestles, except stringers, per M.F.B.M.	45 00
Caps, walings, and braces for pile and framed trestles, per M.F.B.M. ..	45 00
Sawed ties and guard-rails for bridges, per M.F.B.M.	45 00
Stringers, per M.F.B.M.	50 00
Native timber in culverts (cedar, fir, pine, tamarack, hemlock, or spruce), per lineal foot	30
Tunnels, rock section, unlined (14,224 cubic yards), per lineal foot ...	85 00
Tunnels, timber lining, per M.F.B.M.	45 00.
Iron in drift-bolts, per pound	08
Iron in screw-bolts, per pound	08
Forged or cut spikes	08
Cast-iron washers and separators	08
Overhaul on construction material (4 miles free haul), per ton per mile	1 00
Track-ties, each	50
Switch-ties, per M.F.B.M.	45 00
Track-laying, per mile	750 00
Side surfacing, per mile	700 00
Surfacing train haul, per cubic yard	50
Train haul, bridge filling, including trestle, per cubic yard	50

All items for work not included in the above inventory shall be paid for at the prices to be agreed upon between the parties hereto, and, failing agreement, at cost thereof plus fifteen (15) per cent.

4. Approximate estimates of the work done shall be prepared monthly, and payment equal to ninety (90) per cent. of such estimates as approved and passed by the Government Engineer shall be paid to the Contractor monthly, the remaining ten (10) per cent. thereof to be paid to him upon the due completion of the work.

5. Pending the final completion of the work, the Contractor shall be at liberty to operate any portion of the road completed and ready for the passage of trains thereon for his own benefit; provided, however, that the Contractor shall bear all cost of operating such portion of road and assume any loss incident thereto; provided further that the Company may at any time take over for operation by itself all or any part of the road so being operated by the Contractor upon such terms as may be agreed upon between the parties.

In witness whereof this Agreement has been duly executed by the parties.

[SEAL.]

PACIFIC GREAT EASTERN RAILWAY COMPANY.

D'ARCY TATE, *Vice-President.*

R. D. THOMAS, *Secretary.*

P. WELCH.

In the presence of E. F. WHITE.

PACIFIC GREAT EASTERN RAILWAY,

VANCOUVER, B.C., February 1, 1913.

*Jno. Callaghan, Esq.,**Chief Engineer, Vancouver, B.C.*

DEAR SIR,—The following rates and prices have been agreed upon by this Company and P. Welch, Contractor, for the material and work herein specified:—

Cattle-guards, per set	\$50 00
Highway-crossing signs in place, each	12 00
Concrete, per cubic yard	15 00
Pile-shoes, each	4 00
Timber in Howe-truss spans, M.F.B.M.	60 00
Iron and steel in Howe-truss spans, per lb.	09
Sawn timber in culverts, crossings, and box drains, M.F.B.M.	32 00

Yours truly,

J. W. STEWART,

President.

PACIFIC GREAT EASTERN RAILWAY,

VANCOUVER, B.C., May 17, 1913.

*Mr. John Callaghan,**Chief Engineer, Pacific Great Eastern Railway.*

DEAR SIR,—This will serve as our acceptance of 16 cents a lb. for all special iron which we used in construction of the Newport Ferry Slip.

Yours very truly,

P. WELCH.

E. F. WHITE.

PACIFIC GREAT EASTERN RAILWAY,

VANCOUVER, B.C., June 19, 1913.

*Mr. John Callaghan,**Chief Engineer, Welton Block, City.*

DEAR SIR,—This will serve as acceptance of allowance of \$32 per thousand feet for plank in crossings (MBM) in accordance with Estimate No. 7, month of May, 1913.

Very truly yours,

P. WELCH,

E. F. WHITE.

PACIFIC GREAT EASTERN RAILWAY,

VANCOUVER, B.C., November 10, 1913.

PILE-SHOES.

*Mr. John Callaghan,**Chief Engineer, Vancouver, B.C.*

DEAR SIR,—Confirming our conversation over the phone.

We wish to advise that we shall be pleased to accept \$5.25 each for pile-shoes furnished.

Yours truly,

P. WELCH,

E. F. WHITE.

PACIFIC GREAT EASTERN RAILWAY.

VANCOUVER, B.C., November 11, 1913.

BLIND DRAINS.

Mr. John Callaghan,
Chief Engineer, City.

DEAR SIR,—This will confirm our acceptance of \$2 per yard for blind drains.

Yours truly,

P. WELCH,

E. F. WHITE.

(Copy.)

VANCOUVER, British Columbia, August 13, 1914.

Mr. John Callaghan.
Pacific Great Eastern, Vancouver, B.C.

DEAR SIR,—Mr. P. Welch advises that he is building a dry wall east of Lillooet, for which there is no price in the contract. A fair price for this work is \$4.50 per yard, and you can allow him this in your estimate.

Yours truly,

J. W. STEWART.

PACIFIC GREAT EASTERN RAILWAY.

VANCOUVER, B.C., September 5th, 1914.

Jno. Callaghan, Esq.,
Chief Engineer, Vancouver, B.C.

DEAR SIR,—The following rates and prices have been agreed upon by this Company and P. Welch, Contractor, for the material and work herein specified:—

Steel in girder bridge crossing Marine Drive, West Vancouver, per lb., 7 cents.

Yours truly,

J. W. STEWART,

President.

PACIFIC GREAT EASTERN RAILWAY.

VANCOUVER, B.C., November 8, 1915.

Jno. Callaghan, Esq.,
Chief Engineer, Vancouver, B.C.

DEAR SIR,—It has been agreed that seventy-five cents (75c.) per lineal foot will be allowed to cover the cost of "under drains," and this will be your authority to estimate work under this heading at the rate mentioned.

Yours truly,

J. W. STEWART,

President.

Jno. Callaghan, Esq.,
Chief Engineer, Vancouver, B.C.

VANCOUVER, B.C., November 20, 1915.

DEAR SIR,—Referring to the contract for surfacing and ballasting, in order that there will be no misunderstanding or inconsistency with respect to the schedule of prices and the specifications governing the work, I have decided to amend the contract as follows:—

Surfacing A—Seven hundred and 00/00 dollars (\$700) per mile.

Surfacing B—Seven hundred and 00/00 dollars (\$700) per mile.

Ballasting—Fifty cents (50c.) per cubic yard.

Yours truly,

J. W. STEWART.

President.

Above amendments to contract dated 23rd September, 1912, accepted.

P. WELCH,

Contractor.

Section 3.

1 only 40,000 gallon enclosed water tank at Pavilion, B.C., with pile foundations, pump supply, combined 5 h.p. engine and pumper, and tank fittings, as per bills of material 6-28-15, 8-6-15, 8-14-15, 8-20-15. See C.E. Drawings No. 4732-No. 4733	\$4,900 00
1 only 40,000 gallon enclosed water tank at Kelly Lake, B.C., with pile foundations, pump supply, combined 5 h.p. engine and pumper, and tank fittings, at per bills of material 9-11-15, 9-28-15, 12-30-15. See C.E. Drawings No. 4732, No. 4733	4,500 00
	<hr/>
	\$9,400 00

Approved.

D'ARCY TATE,

Vice-President.

Accepted.

P. WELCH.

By E. F. WHITE, Attorney.

Section 2.

1 only 40,000 gallon water tank at Squamish, B.C., with pile foundations, pump supply, combined 5 h.p. engine and pumper, and tank fittings, as per bills of material 3-18-15, 9-14-14	\$3,800 00
1 only 40,000 gallon water tank at Mile 13.7, with pile foundations, pump supply, combined 5 h.p. engine and pumper, and tank fittings, as per bills of material 7-28-14, 7-29-14, 8-3-14, 8-15-14, 9-14-14, 10-5-14, 12-14-14	3,700 00
1 only 40,000 gallon water tank at Pemberton, B.C., with pile foundations, pump supply, combined 5 h.p. engine and pumper, and tank fittings, as per bills of material 10-5-14, 10-16-14, 10-27-14, 11-27-14, 12-14-14, 1-29-15, 4-5-15. See C.E. Drawings Nos. 4993, 4984, 5021	3,800 00
1 only 40,000 gallon water tank at D'Arcy, B.C., with concrete foundations, pump supply, combined 5 h.p. engine and pumper, and tank fittings, as per bills of material 2-12-15, 3-1-15, 4-20-15, 6-21-15, 7-2-15, 8-3-15. See Drawings 4745, 4819, 4868, 4984, 4993, 5021	3,700 00
1 only 40,000 gallon enclosed water tank at East Lillooet, B.C., with pile foundations, pump supply, combined 8 h.p. engine and pumper, and tank fittings, as per bills of material 2-8-15, 3-6-15, 4-8-15, 6-9-15, 6-11-15, 6-15-15. See C.E. Drawings No. 4732, No. 4733	5,500 00
1 only 25,000 gallon water tank at Mons (Mile 1.18), with concrete foundations, gravity supply, and tank fittings, as per bills of material 8-28-14, 12-29-14. See C.E. Drawings No. 4868	2,300 00
	<hr/>
	\$22,800 00

Approved.

D'ARCY TATE,

Vice-President.

Accepted.

P. WELCH.

By E. F. WHITE, Attorney.

Section 2.

Material and erection of 1 only boiler house at Squamish Terminals, as per C.E. Bill of Material 12-21-15. See Drawing No. 4701	\$ 400 00
Materials and erection of 1 only blacksmith shop at Squamish Terminals, as per C.E. Bill of Material 11-24-15. See Drawings No. 4711, No. 4702	1,000 00
Piling delivered and driven for above. Building included in Est. No. 39, Jan. 1916.	
Materials and erection of turntable complete at Squamish Terminals, as per C.E. Bills of Material 3-27-14, 4-1-14. See Drawings No. 4873-No. 4882 inclusive ..	7,000 00
Paid by and included in Est. No. 39, Jan. 31st, 1916, and not included in the above:—	
2,983 lineal feet piling delivered.	
2,565.5 lineal feet piling driven.	
319 cubic yards concrete in place.	
Materials and erection of fuel-oil tank and pipe-line complete (capacity 40,000 barrels) at Squamish Terminals, as per C.E. Bills of Material 6-19-14, 7-25-14, 11-6-14, 12-7-14, 12-10-14. See Drawings 4830, 4832, 4843, 4952, 4953, 4960, 5103, 5104	31,000 00
Materials and erection of 1 only 6-stall engine house and sewer complete at Squamish Terminals, as per C.E. Bills of Material 11-12-14, 12-3-14, 12-10-14, 1-4-15, 1-21-15, 2-18-15. See Drawings 4821, 4838, 4914, 4915, 4916, 4917, 4918, 4919, 4920, 4921, 4923, 4932	13,000 00
Concrete in place and piling delivered and driven included in Est. No. 39, Jan. 31st, 1916.	
	\$52,400 00

D'ARCY TATE,

Vice-President.

Accepted.

P. WELCH.

By E. F. WHITE, Attorney.

Section 2.

Materials and erection of 7 portable stations complete, as per Bills of Material 5-1-13, 10-8-14, 1-18-15, 7-8-15, 8-20-15, 8-30-15. See Drawing No. 5011.	
7 stations @ \$550.00 each	\$3,850 00

Distribution.

Cheakamus	1
Mons	1
Pemberton	1
Spetch	1
D'Arcy	1
Lillooet	1
Div. Eng.	1
Total	7

D'ARCY TATE,

Vice-President.

Accepted.

P. WELCH.

By E. F. WHITE, Attorney.

Section 3.

Material and erection of 1 only engine house at Clinton, B.C., as per C.E. Bill of
 Material 8-6-15. See Drawing No. 4723 \$1,350 00
 Structure not painted; painting to be additional to this bill.

D'ARCY TATE.

Vice-President.

P. WELCH.

By E. F. WHITE, *Attorney.*

VANCOUVER, B.C., October 6, 1916.

Memorandum of additional prices for approval and acceptance by and between Pacific
 Great Eastern Railway Company and P. Welch, contractor, as under:—

Fencing, per mile of single fence	\$ 350 00
Gates, each	10 00
Section houses, as per drawing No. 5012, labour and material, each ..	1,300 00
Telegraph line, including labour and material, per mile	350 00

Approved.

D'ARCY TATE,

Vice-President.

Accepted.

P. WELCH.

By E. F. WHITE, *Attorney.*

(Cancelled.)

PACIFIC GREAT EASTERN RAILWAY,

VANCOUVER, B.C., January 6, 1917.

Mr. D'Arcy Tate, *K.C.*,

Vice-President, Pacific Great Eastern Railway, Victoria, B.C.

PRICES ON STRUCTURES AND MATERIAL NOT COVERED BY CONTRACT.

DEAR SIR.—We herewith agree to do the following work at prices as indicated; the same
 not being covered by contract entered into between ourselves and your Company as of 23rd
 September, 1912:—

Section tool-houses, as per Pacific Great Eastern Plan No. 199, com- plete, each	\$115 00
Foundation posts, mud sills, and other timber in foundations for section- houses, depot buildings, etc., @ per M.F.B.M., labour and material	37 50
Prices for standard signs as shown on Pacific Great Eastern Plan No. 164, covering material, labour, and placing same:—	
Whistling Post W.X. No. 1, each	2 50
Road-crossing Sign No. 2	7 00
Warning Sign No. 10	5 00
Flanger Sign No. 13	2 50
Mile-marker No. 14	1 25
Standard section-house privies, each	160 00
Excavation in foundation, cellars, trenches, and pits for shops, engine houses, station buildings, section houses, and appurtenant buildings:—	
Solid rock, per cubic yard	2 25
Material other than solid rock, per cubic yard	80

Very truly yours,

Approved.

D'ARCY TATE,

Vice-President.

P. WELCH,

E. F. WHITE.

PACIFIC GREAT EASTERN RAILWAY,
VANCOUVER, B.C., January 6, 1917.

Mr. D'Arcy Tate, K.C.,

Vice-President, Pacific Great Eastern Railway, Victoria, B.C.

PRICES ON STRUCTURES AND MATERIAL NOT COVERED BY CONTRACT.

DEAR SIR.—We herewith agree to do the following work at prices as indicated; the same not being covered by contract entered into between ourselves and your Company as of 23rd September, 1912:—

Section tool-houses, as per Pacific Great Eastern Plan No. 199, complete, each	\$115 00
Foundation posts, mud sills, and other timber in foundations for section-houses, depot buildings, etc., @ per M.F.B.M., labour and material	37 50
Prices for standard signs as shown on Pacific Great Eastern Plan No. 164, covering material, labour, and placing same:—	
Whistling Post W.X. No. 1, each	2 50
Road-crossing Sign No. 3	12 00
Warning Sign No. 10	5 00
Flanger Sign No. 13	2 50
Mile-marker No. 14	1 25
Standard section-house privies, each	160 00
Excavation in foundation, cellars, trenches, and pits for shops, engine houses, station buildings, section houses, and appurtenant buildings:—	
Solid rock, per cubic yard	2 25
Material other than solid rock, per cubic yard	80

Very truly yours,

P. WELCH,

E. F. WHITE.

Approved.

D'ARCY TATE,

Vice-President.

VANCOUVER, B.C., January 12, 1917.

Mr. D'Arcy Tate, K.C.,

Vice-President, Pacific Great Eastern Railway, Victoria, B.C.

PRICES ON STRUCTURES AND MATERIAL NOT COVERED BY CONTRACT—STOCKYARDS.

DEAR SIR.—We hereby agree to the following prices for work and material not provided for in contract between your Company and ourselves as of September 23, 1912:—

Stockyards at Lough Raymond (Kelly Lake) in accordance with Pacific Great Eastern Railway Company's Plans Nos. 4677 and 4680, including corral and chutes; construction-material, labour, etc.	\$2,100 00
Stockyards at Station 1717, Alta Lake Summit South (Squamish), in accordance with Pacific Great Eastern Railway Company's Plan No. 4680; material, labour, etc.	1,500 00

Yours very truly,

P. WELCH,

E. F. WHITE.

Approved.

D'ARCY TATE,

Vice-President.

(Copy.)

January 16th, 1917.

*Jno. Callaghan, Esq.,
Chief Engineer, Vancouver, B.C.*

PRICES ON CREOSOTED TIMBER AND PILING.

DEAR SIR,—We have agreed with P. Welch, contractor, on prices covering creosoted timber and piling as per following schedule:—

Creosoted timber in structure other than stringers; material	
and labour	\$75 00 per M.B.M.
Creosoted piling, material only	65 per lineal foot.

You will therefore include this in your December estimate, and this accepted schedule will now be a part of our contract with P. Welch, dated September 23rd, 1912, and in accordance with the closing portion of clause 3.

Yours truly,
D'ARCY TATE,
Vice-President.

Exhibit No. 6.

(Produced by Mr. D'Arcy Tate.)

SPECIFICATION FOR RAILWAY CONSTRUCTION.

PACIFIC GREAT EASTERN RAILWAY.

(Revised March 1, 1914.)

Certified copy,

JNO. CALLAGHAN, *Chief Engineer.*

GENERAL SPECIFICATIONS.

1. Unless specially excepted or struck out, the works to be done under the annexed Contract comprise all works of the kinds embraced in these specifications, or such special specifications as may be issued, or set out and referred to in the plans and drawings prepared and to be prepared for the purposes of the work.

CLEARING, CLOSE CUTTING AND GRUBBING.

2. Where the line passes through wooded land, the entire right of way Clearing shall be cleared of all timber, brush, stumps, logs, etc., which must be either burnt or removed from the right of way. No timber, brush, stumps, logs or roots shall in any case be piled upon adjacent lands, and the limits of the right of way shall be left in proper shape for the site of fencing to the satisfaction of the Engineer, and where directed by him, including all necessary close cutting. Trees unavoidably falling outside right of way must be cut up, removed to right of way and disposed of. Fence Sites.

The laws and regulations respecting fires shall be followed, and any damages to adjoining property during the operation of clearing shall be borne by the Contractor. Fires.

All trees outside the limit of the right of way, considered unsafe by the Engineer, shall be cut down and disposed of as other clearing; but no trees shall be cut down unless marked for cutting by the Engineer. Dangerous Trees.

Clearing shall be paid for by the acre where actually performed; and dangerous trees cut outside the right of way, at the specified rate, per single tree. How paid for.

3. In all excavating, including borrow pits, on all ground to be covered by embankments less than two feet high, and from all ditches, drains, new channels for water-ways, and other places, when required, all stumps and large roots must be grubbed out and removed. Grubbing.

4. Grubbing will be estimated and paid for by the acre, when actually performed in excavation less than four feet deep, under embankments less than How paid for.

two feet high, and on borrow pits, ditches, drains and new channels for water within the clearing limits; but no grubbing will be allowed on the slopes of any cutting where the depth at a distance of ten (10) feet on either side of the centre line exceeds four feet.

Close cutting.

5. Where embankments are less than four (4) feet, and more than two (2) feet, all trees and stumps are to be cut off even with the surface of the ground, and removed, the price paid for clearing covers the close cutting.

Crosswaying.

6. In swamps or soft places, if so desired by the Engineer, a crossway of such breadth as he may direct shall be constructed of a depth of one (1) foot, or of such greater depth as may be considered necessary. Said logs to be placed close together, and to be not less than six (6) inches in diameter, and finally closely covered with brush. No ditches to be made on either side of such crossway, unless with the permission of the Engineer.

GRADING.

Extent of work.

7. Under this head will be included excavations and embankments for the formation of the roadbed; all diversions of roads and streams; all borrow pits and ditches; excavation of foundation pits for log retaining cribs other than those used for changing or deflecting the channels of streams; levelling of station grounds, and all similar works connected with and incident to the construction of the roadbed.

Time of commencement.

8. No grading shall be commenced upon any cutting or embankment, until the clearing, close cutting and grubbing required shall be completed to the satisfaction of the Engineer.

Responsible for damage to crops, etc.

9. All damage occasioned by blasting rocks in the progress of the work, or any injury done by the Contractor or those in his employ to the crops, fences, buildings, or any property of the Company or the adjoining land-owners or occupants, shall be paid by the Contractor.

Width of earth cuttings and embankments.

10. The general width of earth cuttings shall befeet, but may be increased or reduced whenever the Engineer considers that the character of the ground will permit. When material is required to make up fills, the cuttings must be widened for this purpose as required by the Engineer before borrowing from any other source. When material is not required for making embankments, the cuttings may be narrowed in accordance with the instructions of the Engineer. Embankments will be fifteen (15) feet at sub-grade, but may be narrowed or widened if so ordered by the Engineer. Earth excavations shall have side slopes of such inclinations as the Engineer shall in each case designate, but the usual slope shall be one (1) vertical in one and one-half (1½) horizontal. All embankments shall be built to such extra height and width as will allow for shrinkage and settlement, and both cuttings and embankments shall be left at the completion of the contract, at such heights, levels and widths as designated by the Engineer.

11. The general width of the rock cuttings shall be.....feet Width of rock cutting.
and the slopes shall be as steep as the nature of the rock will allow, and as ordered by the Engineer. When the slopes have not been determined by the Engineer, no excavation will be paid for beyond a slope of one (1) horizontal to four (4) vertical.

12. Wherever the line is on a tangent or curve the form of the embankment, berms, ditches, etc., and the width on top at subgrade, shall conform to the dimensions required as directed by the Engineer in writing.

13. In rock cuttings a water channel shall be formed two (2) feet wide Shape of sub-grade and water channels. and eight (8) inches deep on each side of the roadway. In standard earth cuttings a channel shall be formed four (4) feet wide and one (1) foot deep on each side of the roadway, but when the cuttings are enlarged the dimensions of the ditches shall be increased, in the manner as directed by the Engineer in writing. Whenever the line is on a curve, the top of the excavation or embankment at subgrade shall be dressed as neatly as possible to an inclination equal to the inclination of the ties. The rate of inclination shall be one (1) inch, multiplied by the degree of curvature vertical, in fifteen (15) feet horizontal.

Whenever ditches at the sides of embankments are needed they shall be cut with slopes not steeper than one and a half feet base to one perpendicular height. The top of slopes nearest the railway shall not be less than five (5) feet from the foot of the embankments. These ditches shall be graded so as to carry off the water to the next natural water course, and where there is so much water as to form a strong current, the ditch shall be formed as far from the embankment as the Engineer may deem necessary for the safety of the latter. Ditches at side of banks.

In flat sections, a berm shall be left between the roadway and ditch, of Berm. such width as may be deemed expedient.

Where the drainage cannot be conveniently carried off by the side ditches, off-take ditches. it will be necessary to excavate off-take ditches to a considerable distance beyond the limits of the railway grounds. These off-take ditches shall be of such widths and depths as may be required and directed by the Engineer. They shall be sloped not steeper than one and a half horizontal to one perpendicular, and the materials shall be cast out so as to leave a berm of six (6) feet between the deposit and the top of the slopes of the ditches. The Contractor shall also construct all other drains and ditches which the Engineer may deem necessary for the perfect drainage of the railway and works. He shall also make all necessary diversions of roads and streams as directed by the Engineer. Road and stream diversions.

14. All side hill ground that is wet or spongy, or likely to be affected by Underdrains. water, must be thoroughly underdrained so that no water will lodge between the new bank and the old ground. The drains are to be put in as directed by the Engineer. Trenches will be cut longitudinally and transversely to a depth of about four (4) feet and eighteen (18) inches in width; in the bottom of these trenches, tiles of such dimensions as the case may require, or from three (3) to six (6) poles averaging about five (5) inches in diameter, will be laid breaking joint. These are to be covered with brush and where possible with twelve (12) inches of gravel or small stones, and then filled in with earth taken out of the excavation. Similar drains to these are to be put in wet cuttings where directed by the Engineer. They will be paid for at so much per lineal foot, including excavation and filling, the Contractor to find all the materials for the same.

15. Catch water ditches must be made along the tops of excavations where Catch water ditches. necessary, to keep the water from flowing into the cuttings. Their slopes must

be carefully trimmed one and one-half (1½) to one (1) and where they empty into a drain, a catch water basin may, when directed by the Engineer, be formed, built of dry masonry and of such size as will prevent the drain getting choked.

Berm. 16. In cuttings partly earth and partly rock a berm of six (6) feet will be left on the surface of the rock unless otherwise directed by the Engineer.

Precaution on side hill grounds. 17. In side hill grounds where the embankments are to be built, and upon which the new work would, in the opinion of the Engineer, have a tendency to slide, the surface shall be stepped or deeply ploughed before commencing the embankments, whichever may be directed by the Engineer.

Materials in embankments. 18. The materials to be placed in embankments must be approved by the Engineer. All materials found in excavation, whether in roadbed cuttings, ditches, water channels, road crossings or elsewhere, must be deposited in such places as the Engineer may direct. The Contractor shall take all risk from floods and casualties of every kind, or of possible loss of material in building embankments in water or in streams, and shall make no claims for damage or detention thereby.

Borrowing. 19. In cases where the roadbed excavations are insufficient to form embankments, the deficiency will generally be made up by widening the cuts, and making necessary drainage ditches within the right of way, at schedule rates. When such means are insufficient the Engineer may, in writing, authorize side borrowing within or without the limits of the right of way. For all such side borrowing the schedule rate for earth as specified in schedule in attached Proposal shall be paid. All the provisions of this section are subject to section 26 hereunder.

Wasting. 20. No wasting on the sides of the cuttings or on the sides of the ditches will be allowed; where there is an excess of excavation this surplus must be used for widening the embankments, or for such other purposes as the Engineer may direct.

Classification. 21. Excavations shall be classed under four heads, viz.:—Solid Rock, Loose Rock, Hard Pan, and Earth; and shall be paid for according to the following definitions:

Solid Rock. 22. All stones or boulders found in excavation measuring more than twenty-seven (27) cubic feet, and all solid quarry stone requiring blasting in order to remove it, shall be termed solid rock.

Loose Rock. 23. Loose Rock shall include all kinds of shale rock, soap stone and all large stones and boulders measuring more than one cubic foot and less than one cubic yard, and all loose rock whether in situ or otherwise, that may be removed by pick or bar without continuous drilling and blasting, although blasting may occasionally be resorted to.

Hard Pan. 24. "Hard Pan" will include cemented gravel, hard pan, indurated clay or combinations of the same, whose inherent hardness is such that, if in a suitable location, could not, in the judgment of the Chief Engineer, be ploughed with a 10-inch grading plough, behind a team of six good average horses, properly handled, and without the necessity of blasting, although blasting may be occasionally resorted to.

Earth. 25. "Earth" will include all other material such as loam, clay, gumbo, sand, quicksand, gravel, muskeg, angular rock fragments, small boulders and all earthy matter or earth containing loose stones or boulders intermixed, and all other material that does not come under the classification of Hard Pan, Loose or Solid Rock.

26. The contract prices for the several classes of excavation shall be taken Extra haul. to include the cost of depositing the material in embankment, crib work, and all other expenses connected therewith except extra haul, which will only be paid for where it exceeds five hundred (500) feet, at so much per yard per additional one hundred feet. No allowance or compensation whatever shall be due or paid to the Contractor for any temporary roads, bridges or trestles he may make to facilitate his work.

27. All excavations must be neatly dressed to the required slopes. Dressing slopes.

28. In Solid Rock cuttings, save as herein provided, no solid rock excavation will be allowed for beyond the limits of the base and slopes as specified. Overbreak and slides in Rock cuttings. All solid rock loosened by slides or explosives beyond the base and slopes as specified must be immediately removed at the expense of the Contractor. Provided, however, that when the Contractor has, in the opinion of the Engineer, used reasonable care in blasting and otherwise not to cause such slides or overbreak, the same, when it actually requires handling for its removal, will be paid for at the schedule rate in the attached proposal for "Solid Rock Excavation beyond the base and slopes as specified." No payment will be made for material resulting from overbreak or slides in rock cuttings when such overbreak or slide material falls free of the roadbed and requires no handling for its removal. No payment to be made for overbreak or slide material when no handling required for its removal.

29. No snow or ice shall be placed in embankments nor allowed to be covered up in them, and all frozen earth shall be excluded from the heart of embankments. Snow, ice and frozen earth.

30. In cases where pitching, rip-rapping or crib filling may be required for the protection of embankments contiguous to streams, all stone suitable for this work found in excavations may be removed and deposited in some convenient place until required and all good building stone which may happen to be found in rock excavations, may, with the approval of the Engineer, be preserved and used in masonry; but any material so found and used will not be paid for twice; the quantity will form a deduction from the quantity of excavation as measured in the cutting. Rip-rap stone. Crib filling stone. Building stone.

31. Roads constructed to and from any point on the line of Railway for the convenience of the Contractor, for the conveyance of material or otherwise, must be at his own risk, cost and charges. Service roads.

32. Wherever the line is intersected by public or private roads, the Contractor must keep open at his own cost convenient passing places and he shall be held responsible for keeping all crossings, during the progress of the work, in such condition as will enable the public to use them with perfect safety, and such as will give rise to no just ground of complaint. Road crossings.

33. Wherever material suitable for ballasting is found in a cutting the Contractor shall, if required by the Engineer, cut a gullet through, large enough to pass a train, the remainder of the material being reserved for ballasting. The price stipulated in the schedule for "earth" shall cover the gulleting of cuts, the remainder being reserved for ballast. Reservation of material and payment therefor.

34. Except as provided in Section 28 herein, when material is loosened in cuttings by slips or explosives beyond the limits of the base and slopes as specified or as ordered by the Engineer, either before or after they are properly formed, the material must be immediately removed by the Contractor, the slopes reformed, and such precautions adopted as the Engineer may direct. The Contractor will be paid for the removal of such slips at his schedule price in the attached Proposal. Provided, however, that the material wasted by explosives in large blasts or otherwise will not be paid for. Cuttings other than solid rock. Material loosened by slips or explosives beyond the base and slopes as specified or ordered by the Engineer. How paid for. Material wasted by explosives in large blasts, or otherwise, not to be paid for.

Large blasts.

35. The use of powder in large blasts, as in seams, drifts, shafts, pits, coyote holes, is prohibited, unless on written authority of the Engineer. In the event of wasting of rock through any such blasting, no payment will be made for the material so wasted, and any damage resulting to the roadbed from such heavy blasting must be made good at the expense of the Contractor.

Loose rip-rap.

36. In forming embankments great care must be taken to place against the backs of all walls exposed to the action of frost, rip-rap backing, consisting of small stones blinded with spawls or coarse gravel, to prevent the retention of moisture and the action of frost thereon, the Engineer to decide in each case the depth and thickness of each rip-rap. In forming embankments between wing walls, against abutment of bridges, viaducts and culverts, and over arches, the earth filling must be carefully packed or punned in thin layers, and a proper quantity of material must be carefully placed equally against each side of, and over all bridges, culverts and other work, before the embankment approaches them; and in forming embankments the greatest care must be observed and every precaution must be taken to load the masonry of structures evenly. The price for excavation must be considered sufficient to cover the cost of punning. The loose stone backing to walls above referred to will be paid for as loose rip-rap.

Filling round structures.

Punning round structures.

Measurements.

37. The measurements of quantities shall be made in excavation, except in special cases where this may be found impossible, and through prairie country. In such cases the Engineer may determine the quantities in embankments, after making all proper allowance for shrinkage, of which he shall be the judge.

Price to cover every contingency.

38. The prices stipulated for excavation of the several denominations, together with the price of haul, shall be the total prices for excavating, loading, removing and depositing all the material; in a word, the rates and prices stipulated in the contract must be understood to cover every contingency, the finishing up of cuts and embankments, the dressing and draining of borrowing pits when required, the dressing of slopes to the required angle, the plowing, or benching of slope, and the completing of everything connected with the grading of the roadbed in a creditable and workmanlike manner, in accordance with the directions and to the satisfaction of the Engineer.

EXCAVATIONS IN FOUNDATIONS.

Dimensions.

39. Under this head will be included all material excavated from foundation pits for Truss bridges, frame trestle bridges, culverts, excavations for foundations of cribs used for the protection of embankments from streams or for changing or deflecting the channels of streams. Foundation pits shall be of such dimensions and excavated to such depths as are shown on the plans, and, if required, shall be excavated to such further dimensions and depths as may be necessary to insure stability of the structure to be erected according to the instructions of the Engineer, but in no case less than is shown on plans, except by the order, in writing, of the Engineer.

Material where deposited.

How paid for.

Cofferdams and pumping.

40. Material excavated from foundation pits shall be deposited in embankments or crib work unless otherwise directed. Excavations for foundation pits, including those excavated under water, but not requiring caissons, cofferdams or other special appliances, shall be paid for at the schedule price per cubic yard excavated, such excavations to be kept dry, and the schedule price in attached proposal for "Excavation in foundations no cofferdams," shall include the necessary bailing or pumping. Foundations requiring cofferdams and pumping: Excavations shall be made in the dry, that is, ample pumping capacity shall be furnished by the Contractor to insure dry work, and the price per cubic yard of excavation shall include the cost of said pumping or bailing.

41. Foundations must be built strictly according to the general or special plans. Material used in their construction must, in every respect, conform with the specifications of the Company. Built to standard plans.

42. Great care must be used to thoroughly tamp and solidify the ground in the bottom of foundation trenches for bridges, trestles, culverts, buildings or other structures. Where mud sills are used they must be settled to a permanent bearing by ramming with heavy rammers. Tamping.

43. All the conditions of Section twenty-six (26) herein apply to material excavated from foundations.

RIP-RAPPING.

44. When required by the special or general plans, as ordered by the Engineer as protection against the action of water, hand laid or "Pierre Perdu Random" of angular stone shall be laid or placed on embankments, or about foundations, or at the ends of culverts or masonry, or other places, as directed. Boulders shall not be used unless by order of the Engineer in writing. Stone to be angular.

The largest procurable stones shall be used, and they shall in no case measure less than one cubic foot. The largest stones shall be placed at the bottom and where the current is the greatest. They shall be laid as closely together as possible so as to avoid large openings. Size. How laid.

45. When required, a trench shall be excavated at the base of the slope to such a depth as will insure a solid foundation, and all sand, or ice, or other perishable matter will be removed. Trenches.

46. In the general depth of the rip-rapping at the base shall measure three feet at right angles to the slope, and shall gradually taper off to a depth of two feet; but shall, if ordered by the Engineer, be built of any required thickness. General dimensions.

47. Rip-rapping shall be paid for at the specified rate per cubic yard in place, for each class. How paid for.

PAVING.

48. When required by the general or special plans, as ordered by the Engineer, the ends of masonry or concrete culverts, vitrified or iron pipe, the bottom of wooden culverts, and other places, shall be protected by paving. Where used.

49. Paving will be made of flat stones set upon their edges, the longest dimensions at right angles to the waterway in such manner as to leave the least possible space between them, and of such size as to reach through the entire depth of the paving. Description.

50. Great care must be taken at the ends of any piece of paving to make it secure so it cannot be undermined or cut by water flowing underneath it. The lower end must receive special care to prevent this undermining. A concrete apron shall be provided when required by the Engineer. Undermining.

51. Paving will be paid for at the specified rate per cubic yard in place. How paid for.

TUNNELS.

52. All tunnels must be built in strict accordance with the general or special plans. How built.

53. Tunnels which do not require lining shall be excavated to the section and dimensions shown on the standard plans for "Tunnels, rock section." Lining.

54. Tunnels which require lining with timber, masonry or concrete, shall be excavated to the section and dimensions as shown on the standard plans for "Tunnels, timbered section." Timber. Concrete or Masonry Lining.

- Dangerous Rocks. 55. The Contractor must take out, at his own expense, all loose or shattered rock which is loose or likely to become so.
- Rock Tunnels. 56. Rock tunnels shall be excavated to one foot below profile grade, and refilled to such grade with rock spalls or other approved material.
- Explosives. 57. The Contractor must limit the use of explosives to avoid unnecessarily shattering the roof or sides of the tunnel or damaging the lining, and the Engineer shall have the right to restrict the use of such explosives.
- Situation of Lining. 58. When lining is required, such lining must conform to the standard or special plans.
- Lining. 59. Lining will be made with timber, concrete or masonry, as ordered.
- Timber Lining. 58. Where timber is used, it shall be red or yellow fir, cedar, oak, tamarac, or white or yellow pine, as may be designated, and must be of the best description of the kind required. It must be hewed or sawed square, and to proper dimensions. It must be free from all loose, large or unsound knots, sap, sun cracks, shakes, waness, or other imperfections or defects that would lessen its durability.
- Lagging. 61. The lagging shall be in pieces four (4) inches thick and six (6) inches wide.
- How paid for Timber Price Includes Iron Required. 62. Timber used for lining shall be paid for at the specified rate per thousand F.B.M. of timber left in completed structure, and the price paid per thousand feet will include the cost of the necessary iron, and the total cost of all labour incidental to putting the timber and iron in place.
- Concrete or Masonry Lining. 63. Where concrete or masonry is used for lining, such concrete or masonry must be built in strict accordance with the section and dimensions as shown on the standard or special plans, and must conform strictly with the specifications for concrete or masonry.
- Protection of Lining from Blasting. 64. The Contractor will be required, at his own expense, to protect the lining when in place from the effects of blasting, by covering with slabs or otherwise, as most convenient. He will also be required to replace, at his own expense, any lining shattered or crushed in any stage of the work by blasting or other operations of his own.
- Cavities Behind the Lining. 65. In lined tunnels, the Contractor must, at his own expense, fill in any cavities behind the lining resulting from any cause whatever, so that the roof and sides will in all cases have a firm bearing on the lagging or lining. In timbered tunnels this packing shall consist of timber or stones. When the lining is constructed of concrete or masonry the packing shall consist of stones closely packed together.
- Portals. 66. Material in portals will be paid for at the same rate as lining in the tunnels.
- Niches or Recesses. 67. Niches or recesses for the protection or convenience of railway employees shall be constructed when ordered.
- Drainage. 68. Drainage shall be carefully executed as shown upon the standard or special plans, or as directed; and all drains, or sources of water shall be treated as directed, the cost of which shall be included in the price per lineal foot of excavation.
- Shafts. 69. The number, location, and dimensions of all shafts shall be as shown on the plans, or as directed, and the specified price per cubic yard for shaft excavation shall cover all material contained between the surface of the ground

and the cross-section of the tunnel, as shown on the standard or special plans, and the cost of all labour and material incidental to their construction.

70. All wells or sumps necessary for the completed tunnel shall be made Wells or Sumps. as directed and shall be paid for at the same rate per cubic yard as shaft excavation.

71. Tunnel excavation shall be paid for at the specified rate per lineal Tunnel Excavation. foot under cover for "Tunnels, rock section," and "Tunnels, timber section." The specified rate per lineal foot shall cover the whole cost of labour and material, incidental to the excavation of the tunnel, and the haul and deposit of the material in the embankments at the ends of the tunnel, as directed.

72. No allowance shall be made for material taken out beyond the Net Section. theoretical section shown on the standard or special plans.

73. The standard dimensions of the tunnel may be varied if found neces- Dimensions. sary, or desired. If the area of the section be not thereby increased, no extra allowance shall be made to the Contractor on account of such change. If the area of the section be thereby increased or diminished, the specified rate per lineal foot shall be increased or diminished in proportion.

TIMBER STRUCTURES.

74. All structures must be built in strict accordance with the general or To be Built to special plans. Plans.

75. All timber, either sawed or hewed, must be cut from living trees, and Quality. be of the best description of the kind required. As directed by the Engineer; it must be sawed or hewed square, and to proper dimensions. It must be free from all loose, large or unsound knots, sap, sun crack, shakes, waness or other imperfections or defects which would impair its strength or durability.

76. The quality and description of timber used for each portion of the Quality and Descrip- structure must be as specified. Stringers must be of long leaf yellow pine, tion. Douglas fir, white pine, or other timber approved by the Engineer.

77. In addition to the foregoing, timber for wooden truss bridges must Wooden Truss be of long leaf yellow pine. Douglas fir, white pine or other timber approved Bridges. by the Chief Engineer, and of "select" quality, particularly free from knots, sap, etc., and all imperfections that would impair its strength or durability.

78. Before commencing work on any wooden structure the ground must Clearing Ground. be entirely cleared of logs, brush and trees for the whole of the width of the right of way, and during the progress of the work all pile and timber ends, chips and brush, shall be cleared from around the structure and burnt, or otherwise disposed of as the Engineer may direct.

79. No shimming will be permitted. Great care must be taken in framing Framing. all timber structures, to insure a perfect fit at all joints. At the completion of the work they must be left in perfect line and surface.

80. Bridges must be erected ahead of the track in all cases, but the Erection of Bridges maximum distance beyond the end of the tract to which the Contractor shall Ahead of Track. be required to haul timber or other material without extra payment, shall not exceed four miles.

PILING FOR FOUNDATIONS.

81. Piles may be of oak, rock elm, Douglas fir, tamarac, cedar, jack pine Timber. or spruce; to be straight or reasonably straight-grained, sound, live timber, free from all bad knots, wind shakes or other defects. All diameters must be measured inside the bark, which shall be removed before delivery.

- Dimensions.** 82. Standard dimensions for piling are as follows: Minimum length in feet, 15, 20, 25, 30, 35, 40, 45, 50, over 50. Diameter in inches at small end: 10, 9, 9, 9, 9, 9, 8, 8, over 7½. Butt diameter to be not less than thirteen (13) inches or more than twenty (20) inches at five feet from butt.
- Lengths.** 83. Piles will only be accepted and paid for in lengths as ordered by the Engineer.
- How Driven.** 84. Unless otherwise directed, all piles shall be sharpened and driven with the small end down, capped with a suitable iron ring, as the Engineer may direct, to prevent spreading or brooming while driving, and, if required, shall be shod with an iron shoe of approved design.
- Driving.** 85. Piles shall be driven until the fall of a hammer weighing 2,000 lbs., with a clear fall of twenty-five (25) feet or an equivalent blow, causes a penetration not to exceed ten (10) inches under the last ten blows, or to such further limit as directed.
- Broken Piles.** 86. Should any piling be broken in the driving, another sound pile shall be driven alongside to replace it.
- Batter Piles.** 87. All piles must be driven vertically unless otherwise shown on the plan. Batter piles will be driven at the batter shown on the plans.
- Extra Lengths, How Attained.** 88. When necessary to drive to a great depth, and piles of adequate length cannot be obtained, one shall be spliced on top of another. The first pile having been driven as far as practical, it shall be cut off square to receive the following pile, which also must be squared and set on top of the one already driven, using a dowell pin 1 inch in diam., in the centre, extending eight (8) inches at least into each pile. The piles shall, if required, be fastened together by an improved splice.
89. Piling will be paid for under the heads of "Piling delivered" and "Pile Driving."
- How Paid for.** "Piling delivered" will include piling furnished by the Contractor at bridge site, as ordered by the Engineer, and will be paid for by the lineal foot, but any lengths in excess of those ordered by the Engineer shall not be paid for.
- Engineer's Bill of Lengths Only Will be Paid.** "Pile driving" will be paid for at the specified rate per lineal foot in the finished structure, which will include all work of any kind in connection therewith.
- Rings and Shoes, How Paid for.** 90. Rings shall not be paid for, but shoes will be paid for at the specified rate per shoe.

SHEET PILING.

- Points.** 91. Sheet Piles shall be cut at the end, so as to form a point at one side and not in the middle, and when driven this point shall be kept next to the pile previously driven to insure contact, and when required by the Engineer the Wakefield type of piling shall be used.
- Broken Joints.** 92. When there are two or more rows of sheet piles, they shall be driven with broken joints.
- How Paid for.** 93. Sheet piling will be paid for at the specified price per thousand feet board measure left in the work.

FRAME TRESTLES.

- Cedar for Mud Sills.** 94. Mud sills not less than ten (10) inches in thickness must in all cases be made of sound, live cedar, unless otherwise permitted in writing by the Engineer. The use of timber other than cedar for this purpose is objectionable, and will be permitted only in case of necessity.

95. Care must be taken not to bury with earth any portion of the sills or posts. All pits for trestle foundations must have free drainage. Sills and Posts not to be Buried.

96. All adjustments in heights of structures, due to settlement or other causes, must be rectified by jacking up from the bottom to the proper elevation. Adjustments.

LOG AND TIMBER CULVERTS.

97. Log and timber culverts must be built in strict accordance with the general plan. Except when otherwise ordered, they shall be built of cedar. Material.

98. Log culverts shall be made of sound, straight, green logs, from which all bark must be removed, hewed on three sides, vertical faces according to dimensions shown on standard plan, and parallel faces according to dimensions shown on standard plan for 8" x 8", 10" x 10" and 12" x 12" log culverts, and as ordered by the Engineer in writing. Size of Logs.

99. Material in log culverts will be estimated and paid for at the specified price per lineal foot in attached Proposal for 8" x 8", 10" x 10" and 12" x 12" logs. The length of timbers only will be considered without regard to the varying size or thickness above that specified and ordered by the Engineer in writing. How paid for.

100. Timber culverts will be made of sound, sawn timber, and in accordance with the standard plans. They will be estimated and paid for at the specified price per thousand feet board measure. Timber culverts.

CRIB-WORK.

101. Timber cribs used in support of trusses shall be built of timber of quality similar to that used in trestles, and according to plans furnished by the Engineer and to his approval, both as to workmanship and material. They will be estimated and paid for by the thousand feet board measure, according to bills furnished by the Engineer. Iron contained in them will be paid for by the pound. They will be filled in with angular stones of a size and character satisfactory to the Engineer, which shall be placed in the cribs without damage to any portion of the structure, and as the Engineer may direct. Timber cribs How paid.

102. Round timber cribs shall be built in accordance with general plans furnished by the Engineer, under his direction and to his entire satisfaction, both as to size of material, quality and workmanship. No log shall be less than ten (10) inches in diameter at small end, not including the bark. Round timber cribs for protection work.

103. Timber must be good, sound, live, red or yellow fir, cedar, pine or tamarac, or other wood approved by the Engineer, free from wind shakes, loose or rotten knots, and all other kinds of decay. Quality.

104. Timber in cribs will be paid for by the lineal foot, all pieces being estimated only as to length, the varying thickness not being taken into consideration, but only the best available timber must be used as directed by the Engineer. How paid for.

105. Timber crib-work required for sustaining or protecting embankment, or for deflecting or changing the channels of streams, will, preferably, be filled with angular rock obtained from excavations adjacent, and care must be taken to work the largest stones to the face. If, however, no suitable material to fill them is found in the excavation, it will be obtained by borrowing. How filled.

106. When required a trench shall be excavated at the base of the slope to such a depth as will insure a solid foundation, and all snow or ice or other perishable matter shall be removed. Trenches.

Cribs to be close fitting.

107. When cribs are built for protection against the action of the waves, or the impinging of running streams, the Engineer may require the logs to be flattened on two sides, or he may resort to any other method of making the cribs tight and close-fitting, that, in his judgment, may be necessary.

Quality of materials.

108. The materials for all timber structures must be such as are approved by the Engineer, and the workmanship must be of the best kind to secure the full bearing and strength of the materials, and must in all respects be satisfactory to the Engineer.

CRIB FILLING WITH STONE.

How paid for.

Material excavated from foundations and placed in cribs not to be paid for as crib filling.

109. Under this head will be included rock reserved from cuttings under Section thirty (30) herein, or rock borrowed by blastings, or stones borrowed in the form of boulders and placed in timber cribs for supporting bridges or cribs for protection of embankments from streams, or for changing or deflecting the channel of streams. Crib filling with stone will be paid for by the cubic yard measured in the finished crib. Provided, however, that when the material found in excavations for the foundation pits for any of the structures mentioned in this section, is satisfactory to the Engineer for crib filling, the same after being excavated from such foundation pit shall, when required by the Engineer, be placed in the crib-work at the expense of the Contractor. The contract price for excavation in foundations shall be taken to include the cost of rehandling and placing the material in the crib-work when required by the Engineer.

Exhibit No. 7.

(Produced by Mr. D'Arcy Tate.)

SPECIFICATION FOR RAILWAY CONSTRUCTION.

TRACKLAYING AND SURFACING.

PACIFIC GREAT EASTERN RAILWAY.

(Revised December 1st. 1913.)

Certified copy.

JNO. CALLAGHAN, *Chief Engineer.*

SPECIFICATIONS FOR TRACKLAYING AND SURFACING.

108. Tracklaying will include all work of loading, unloading and handling Tracklaying. material; laying the main track, spurs, turnouts, wyes, and other permanent tracks; frogs, switches, rail braces, tie plates, crossings, etc.; laying and spiking plank of road crossings, setting all track markers or signs, and such necessary cutting down or filling up the inequalities of the roadbed as will allow of the passage of trains, without damage to rail or rolling stock, until the proper surfacing and ballasting is performed.

109. Cull ties may be used in sidings and spurs if sound and otherwise fit Cull ties. for use.

110. Bark must be removed from all ties before they are placed in track. Bark.

111. Eighteen ties will be used to each 33-foot rail length. Number of ties.

112. Track will be laid with suspended joints; ties of uniform size and full How spaced. standard should be used for joint ties. Joint ties should be placed not more than 9" apart; the remaining ties must be spaced evenly between joint ties.

113. The ends of cross ties in single track must be lined true on the south Lining. and east side of the track.

114. Cross ties must never be notched, but if necessary must be adzed, in Adzing. order to maintain a true uniform bearing for the tie plate or the base of the rail.

115. In moving ties with a pick, the point should be struck into the side Tie picks. of the tie and not into the face.

116. Sawn ties must be used for all permanent switch turnouts, cross overs Switch ties. and railway crossings at acute angles; and placed, spaced, and lined in exact conformity with the standard plans.

117. All joints must be full bolted and rails drilled, when necessary. Nuts Bolting and must be tightened a second or third time within thirty days after the track is Drilling. laid.

118. When rails of different weights or sections join each other, it must be Compromise done with compromise splice bars, made to fit the different rail sections and splices. bolt holes.

119. A spike must be driven in each slot, inside and outside of rails and Spiking and slots. angle bars, except on bridges or trestles where spiking in slots, or against the ends of angle bars, or in any way anchoring the rails to the bridge is prohibited.

120. The nuts of all track bolts shall be placed on the outside of the rails. Nuts.

Square or
broken joints.

121. Track shall be laid with broken joints on main lines and important branches where new steel is used; on minor branch lines where relaying steel is used, it shall be laid with even joints on tangents and broken joints on curves.

Variation of joints.

122. When track is laid with broken joints they must not vary more than 18" from the middle of the opposite rail, except as per Rule 124.

Tangents less than
1,000 feet.

123. When track is laid with square joints on tangents and broken joints on curves, the broken joints will be maintained on tangents less than 1,000 feet in length.

Passing from
square to
broken joints.

124. To pass from square joints on tangents to broken joints on curves, cut and use a rail according to the following rule:—

"Cut rail at point distant from centre of rail one-half inch. for each degree of central angle of curve, using short rail on inner side of curve. For consecutive curves with short intervening tangents, obtain the separate sums of right and left central angles, subtract the lesser from the greater, and the difference will be the required angle. Use short rail on inner side of this angle. The length of the short rail must not be less than ten feet."

Short rails.

125. Short rails shall be used in inside line of rails on curves of large central angle, in order to maintain position of joints near centre of outer rail, and in such cases the above rule must be modified correspondingly.

Cross spiking.

126. Track must be fully spiked, using the system commonly known as "Cross spiking," with the inside and outside spikes driven on opposite sides of the centre of the tie. They must be set as far apart as the face and character of the tie will permit.

Vertical spiking.

127. Spikes must be set one-half of their own width from edge of rail and driven vertically to full bearing on base of rail, and they must be kept in this position. Driving sloping spikes, or giving them a final lateral blow to close the spikes against the rail, is forbidden.

Use of Gauge.

128. The track gauge must always be used when spiking.

129. Boat spikes 8" x $\frac{3}{8}$ " shall be used for spiking frog and switch blocking to ties.

Elevation.

130. The elevation of the outer rail will be as ordered, and great care must be used to keep the elevation uniform. The grade line must be maintained along the inner rail and the elevation obtained by raising the outer rail. The full elevation of outer rail must not be continued beyond the end of the central curve, but shall decrease uniformly along the easement curve to the tangent point, where both rails should be level.

Elevation on
non-spiral curves.

131. For curves not having ends eased the full elevation should be extended to the end of the curve from where it should run out gradually on a tangent to a level with the inner rail, by reducing the elevation of the outer rail one-half inch to each 33 feet rail length; except in cases where tangents are too short to permit.

132. On all tangents the tops of the rails must be level with each other, except the approaches to the curves which are not eased.

133. The track level must be used when surfacing either curves or tangents.

Gauge.

134. Gauge of track must be exactly and uniformly as prescribed.

135. The standard gauge is 4' 8½". Extra width of gauge on account of curvature must be given as follows:—

On curves of 3 and 4 deg.	1/8 inch
" " " 5 and 6 deg.	1/4 inch
" " " 7, 8, and 9 deg.	3/8 inch
" " " 10, 11, and 12 deg.	1/2 inch
" " " 13, 14, and 15 deg.	5/8 inch
" " " 16 to 20 deg.	3/4 inch

136. The extra width of gauge should be given by the inside rail and be uniformly decreased, on the easement curve, from point of central curve to point of tangent.

137. For curves not having ends eased, the full extra width of gauge should extend to the end of the curve, and the extra width be gradually tapered off on tangent to tangent gauge on the low or inner rail in a distance of 60 feet. Gauge of non-spiral curves.

138. Rails must be handled carefully before being put in the track, and must be uniformly supported after being placed there. Skids will invariably be used whenever necessary to unload them into piles. In all cases the greatest care must be used to avoid injury to rails by dropping them on hard substances or uneven surfaces. Handling rails.

139. When necessary to make holes in rails for bolts, they must be drilled with the proper tools furnished for that purpose. Drilling.

140. The position of the brand on the rail is immaterial, whether right or left, inside or outside, but its position must be uniform in the same line of rails. When new rails are being laid, different brands must not be mixed. Brand.

141. All rails for curves of over 4 deg. must be separately curved by a rail bender before being placed in the track. The sledging or dropping of rails on ties, to curve them, is forbidden. Curving.

142. Particular care must be given to insure uniform curvature of the rails throughout their length, in accordance with the following table:—

For 4 deg. curve, 30 feet.....	1"	33 feet.....	1 1/8"
For 5 deg. curve, 30 feet.....	1 1/4"	33 feet.....	1 3/8"
For 6 deg. curve, 30 feet.....	1 1/2"	33 feet.....	1 3/4"
For 7 deg. curve, 30 feet.....	1 5/8"	33 feet.....	2"
For 8 deg. curve, 30 feet.....	1 7/8"	33 feet.....	2 1/4"
For 9 deg. curve, 30 feet.....	2 1/8"	33 feet.....	2 1/2"
For 10 deg. curve, 30 feet.....	2 1/4"	33 feet.....	2 7/8"
For 11 deg. curve, 30 feet.....	2 1/2"	33 feet.....	3 1/8"
For 12 deg. curve, 30 feet.....	2 3/4"	33 feet.....	3 3/8"
For 13 deg. curve, 30 feet.....	3"	33 feet.....	3 3/4"
For 14 deg. curve, 30 feet.....	3 1/4"	33 feet.....	4"
For 15 deg. curve, 30 feet.....	3 1/2"	33 feet.....	4 1/4"
For 16 deg. curve, 30 feet.....	3 3/4"	33 feet.....	4 5/8"
For 17 deg. curve, 30 feet.....	4"	33 feet.....	4 7/8"
For 18 deg. curve, 30 feet.....	4 1/4"	33 feet.....	5 1/8"
For 19 deg. curve, 30 feet.....	4 1/2"	33 feet.....	5 1/2"
For 20 deg. curve, 30 feet.....	4 3/4"	33 feet.....	5 3/4"

143. Proper allowance must be made for expansion according to temperature of rail when being laid. When the average thermometer reading on 30 or 33 feet rails is:— Expansion.

90 deg. Fah. give	0	expansion space
70 to 90	1/16"	" "
50 to 70	1/8"	" "
30 to 50	3/16"	" "

10 to 30 $\frac{1}{4}$ " expansion space
 —10 to 10 $\frac{5}{16}$ " " "

144. Rails must not be bumped together when being laid.

Shims. 145. Proper expansion must be secured by using iron shims, according to the above specifications, except where track is laid on a steep grade, when sawn wooden shims of proper thickness will be provided. They must be left in place until track is full spiked, bolted, and anchored, and then removed.

Tie plates. 146. Where tie plates are ordered, they must be placed in accordance with the Chief Engineer's instructions.

Spiking rails. 147. On tangents only two spikes should be used in each plate; on curves, use three.

How put on. 148. Tie plates must be forced into the ties before trains are allowed to run over them.

Rail braces. 149. Rail braces must be used on guard rails and switches as shown on the standard plans, and on curves where ordered.

Switches. 150. Switches must be put in track in accordance with the standard plans.

Stub Switches. 151. At all stub switches bridle rods must be confined between two ties placed six inches apart.

Lead rails. 152. Lead rails in all turnouts must be curved separately with the rail bender before being laid. The narrow places between rails at frogs, guard rails and switches must be filled with standard wooden blocks.

Difference in weight of rails. 153. Where rail of a heavier pattern is used in the main track than in the side track, the main track pattern must extend at least as far up the side track as the switch ties extend.

Derailing Switches. 154. A standard derailing switch, stop block or safety switch must be placed at the clearance point of all sidings, where ordered.

Guard rails. 155. Guard rails must be placed at frogs, switches, and, when ordered, on sharp curves and bridges.

Track markers. 156. All standard track markers and signs must be placed strictly in accordance with the standard plans.

Lengths paid for. 157. Only such sidings, spurs, turnouts, wyes, and other track, and such length thereof as ordered, will be estimated and paid for. This will include tracks required at material yards, but will not include spurs in gravel pits or temporary spurs laid for the accommodation of boarding cars.

Surfacing and ballasting. 158. The track will be surfaced with material obtained from the side or surfaced and ballasted with train hauled material, as directed.

Surfacing from the side. 159. "Surfacing 'A'" will include all work of procuring surfacing material from side ditches or other places where allowed, putting under the track, surfacing, lining, and all other work incident to the preparation of the track for operation where material for surfacing is obtained from the side.

Surfacing from train hauled material. 160. "Surfacing 'B'" will include the cost of all train hauled material under the track, surfacing, lining, and all other work incident to the preparation of the track for operation where surfacing is done with train hauled material.

161. Ballasting will include the loading, hauling, unloading alongside of Ballasting track, and transportation of all material hauled by train for the purpose of surfacing the track.

162. Surfacing or ballasting must be done strictly in conformity with the standard plans.

163. All road and surface ditches will be left clear and free, so open and Ditches extended so as to conduct water freely and quickly from the roadbed; and all side ditches must be left unobstructed.

164. The side slopes and ditches must be left neat and smooth, and free Slopes from all rubbish, materials, and obstructions.

165. The surfacing and ballasting must be kept up with the tracklaying. Ballasting to be kept up to All new track must be brought to surface and tamped up before it is run over. tracklaying. Rails that are damaged by reason of neglect on the part of the contractor, to comply with these requirements, will be replaced at his expense.

166. A sixteen inch space on each side of the rail must be thoroughly Tamping, tamped and the centre of the tie lightly tamped. Joint and shoulder ties must be tamped particularly hard.

167. When surfacing and ballasting is completed the track must be in per- Lining. fect line, surface, and gauge, and must be so maintained by the Contractor until it is accepted by the Company for operation.

Signatures and residences of
parties tendering

Contractors.

Dated at.....the.....day of..... 19

Exhibit No. 74.

(Produced by Mr. John Callaghan.)

SPECIFICATION FOR RAILWAY CONSTRUCTION.

TIMBER STRUCTURES.

(Revised December 1st, 1913.)

SPECIFICATIONS FOR TIMBER STRUCTURES.

GENERAL.

1. The Railway Company will furnish plans of each structure. Upon receipt of these, the Contractor shall prepare detail shop drawings, in strict conformity therewith, of all parts included in his contract. Complete sets of the shop drawings shall be submitted in triplicate to the Railway Company for approval. Upon approval, work on the structure may be begun by the Contractor. Such approval shall not release the Contractor from responsibility from drafting and shop errors. Such persons as the Company may appoint shall have free access at all times, during the execution of this contract, to the shops of the Contractor for the purpose of examining plans and inspecting materials and mode of manufacture.

Plans and bills.

2. Each structure must be built in strict accordance with the plans and bills of material to be furnished during the progress of the work, as the occasion requires.

No scale measurement.

3. Dimensions, where definitely determined, will be marked on all plans furnished by the Company; in no case must dimensions be scaled.

Workmanship.

4. The best of workmanship shall be required, and all labor shall be performed by experienced mechanics and foremen, in each class of work, and to the entire satisfaction of the Engineer.

Price to include.

5. The prices of the different items mentioned are understood to cover all expenses incurred, including teaming, and completing the structure ready for the rails, to the satisfaction of the Engineer.

Quantities paid for.

6. The quantities paid for shall in all cases be the quantities of material left in the work, but if the total finished weight of each of the various classifications of iron, built on the Company's plans, exceeds the calculated weight based on the dimensions shown on the plans and bills of materials, not more than two per cent. above said calculated weight shall be paid for.

Quality of timber.

7. The timber used in all truss or trestle bridges, culverts, caissons, crib-work, coffer-dams, or other structures, must be of the very best description of the kind required for each purpose, free from all loose, large, or unsound knots, sap, sun-cracks, shakes, waness of more than one inch across, or other imperfections; it must be sawn or hewn square, and out of wind, and when delivered must conform in every way to the specifications. No spike knots will be allowed.

Winter cut.

8. All timber to be used must have been cut from trees during the winter season, unless it be otherwise allowed in writing by the Engineer.

Inspection.

9. Inspection will be made when the timber is delivered on the Company's ground, or any other place pointed out by the Engineer. In delivering timber, it must be placed on sufficient skids to keep it off the ground, and piled in such a manner that no trouble will be experienced when inspecting or measuring it.

Framing.

10. All framing must be made to fit closely, and must be done in a thorough, workmanlike manner. No open joints or filling pieces will be

allowed. Special care must be taken that all key clamps, tenons, or mortices shall fit closely and truly, and the surfaces adjoining shall be planed so as to leave no openings, splinters, or roughness, which might allow water or moisture to lodge in.

11. All holes for bolts $\frac{3}{4}$ inch diameter or over, shall be bored with an Bolt holes. auger $\frac{1}{8}$ inch smaller than the diameter of the bolt, and for bolts $\frac{5}{8}$ inch and under, the auger shall be $\frac{1}{16}$ th of an inch smaller than the diameter of the bolt.

When required by the Engineer, nuts must be tightened a second or third Tightening nuts. time within forty days after the completion of the structure.

12. All ends of timbers, bolt holes, and all surfaces in contact with wood or iron, must be thoroughly painted, so as to completely fill all openings, with white lead.

STEEL AND IRON.

13. All steel shall be manufactured by the Open Hearth Process, and in chemical and physical properties shall meet the following requirements:—

Chemical.

Phosphorus	Basic	Not to exceed .04%
"	Acid	Not to exceed .08%
Sulphur		Not to exceed .05%

Physical.

Ultimate Tensile strength in pounds per sq. in.....	56,000 to 64,000
Elongation—Minimum % in 8"	1500,000

Ultimate Tensile Strength

14. **Tests:** Specimens $\frac{3}{4}$ inch in thickness and less shall bend cold on itself. Specimens $\frac{3}{4}$ inch and up to $1\frac{1}{4}$ inches in thickness shall bend cold 180° on a diameter equal to the thickness of specimen, and specimen over $1\frac{1}{4}$ inches in thickness shall bend cold 180° on a diameter equal to twice the thickness of the specimen; all without fracture.

It is required to test to destruction two upset rods for each span, one of large dimension and one of the smallest dimension of upset rod used. No payment will be made for material which does not stand tests successfully.

15. Character of fracture, silky.

16. Finished material must be free of injurious seams, flaws, cracks, or defective edges, and have a clean, smooth, workmanlike finish.

17. All rods shall be provided with U. S. standard threads and square nuts.

18. The length of the rods shall not vary in excess of two inches longer than specified length, and the clear distance between the threaded upsets shall not exceed the specified length of rod minus twelve inches.

19. Upsets shall be true and uniform, and concentric with the body of the rod.

20. Threads shall extend the full length of the upsets, so that nuts can be screwed down onto the body of the rod.

21. Nuts must be neatly finished, with true rectangular faces. The axis of the thread must be in the centre of the nut, and at right angles to the bearing faces.

22. Rods with upset screw ends must be guaranteed to break in the body of the bar when tested to destruction. They must be thoroughly and uniformly annealed throughout their length after upsetting. No welding will be permitted. The net section of the upset ends at the base of the thread shall be at least 15% greater than the body of the rod. No part of the threads must project beyond the surface of the body of the upset end. Nut shall not be less in thickness than diameter of upset end of the rod, and faced on side in contact with bearing plates or washers. Threads to be coated with white lead and tallow before shipment.

23. **Bearing Plates and Channels:** To be of steel, straight, and with perfect plane bearing surfaces, open holes next to the edge of the plate or channel to be drilled; other holes to be punched to a diameter $\frac{1}{4}$ inch smaller than final dimensions, and reamed to diameter required.

24. **Wrought Iron:** Must be of the best quality obtainable, tough, ductile, fibrous, and of a uniform quality, smooth and free from cinder pockets or injurious flaws, buckles, blisters, or cracks. No steel scrap shall be used in its manufacture. Tensile strength shall not fall below 50,000 lb. per square inch, and elastic limit not less than 26,000 lb. per square inch. Elongation not less than 20% in 8 inches. All wrought iron must bend cold 180 degrees without sign of fracture, to a curve the inner radius of which equals the thickness of the piece tested.

25. **Shop Paint:** One coat of best quality red lead and pure linseed oil on all steel and iron except cast iron parts.

26. **Cast Iron:** Castings shall be of tough, grey iron with not over one-tenth per cent. sulphur, free from injurious cold shuts, blow holes and excessive shrinkage, and true to pattern, with perfect clean and sharp lines, all re-entrant angles being properly filleted. Tests shall be made on a round bar $1\frac{1}{4}$ inches in diameter and 15 inches long. Such bar when loaded in the middle between supports 12 inches apart shall carry at least 2,900 lb., and deflect not less than one-tenth of an inch before rupture. Castings hit on the thin edge with a hammer shall dent without breaking.

27. **Clamp Bars:** To be steel or wrought iron forged out of the solid to the exact dimensions shown on the drawings and shall be perfectly straight and of smooth, workmanlike finish. No welding will be permitted.

28. **Screw Bolts, Nuts, and Dowel Pins:** Shall be made of soft steel manufactured by the Open Hearth process, or wrought iron. Preference will be given to screw bolts of soft steel, with cold pressed threads.

All bolts must be practically perfect in every respect and provided with nuts and threads of standard size required for their diameter. The thickness of the nuts shall not be less than the diameter of the rod for which it is made.

29. **Inspection:** The Contractor must furnish all facilities for inspecting the workmanship and performing the prescribed tests at the mill or shop where the material is manufactured. The Inspector must also be given reasonable facilities to check the weights of the finished parts before shipment.

HOWE TRUSSES.

Quality.

30. The timber in the Chords, Guard Rails, Web, Floor Beams, and Pier members, in addition to the requirements already stated, shall be of the best description, free from all sap, knots, wanes, or anything else that would impair their strength. The timber in the remaining portions of the structures shall be of a similar quality, with no wane, and only such small, sound, live knots as will not, in the opinion of the Engineer, affect their usefulness.

31. The kind of timber to be used shall be as specified under the Govern- Kind of timber.
ment Subsidy Contract, if the work is subject to same; otherwise it shall be
first-class White Oak, White Pine, Red or Norway Pine, Georgia Yellow Pine,
British Columbia Douglas Fir, or such kinds of wood as stated on such draw-
ing, or as authorized by the Engineer in writing.

32. All Truss Spans, other than the Howe Truss type, shall be similar in Other truss spans.
material and workmanship to the latter.

33. It must be understood that the Contractor's Schedule of Rates for False work.
Howe Truss Bridges includes the cost of providing and removing such false-
work as the Engineer deems necessary in the erection of these and similar
spans requiring falsework.

TRESTLES.

34. All timber, either hewed or sawed, must be cut from living trees, and Quality.
be of the best description of the kind required. As directed by the Engineer,
it must be sawed or hewed square and to proper dimensions. It must be free
from all large, loose, or unsound knots, sap, sun-cracks, shakes, waness, or
other imperfections or defects which would impair its strength or durability.

The timber in the stringers and guard rails shall be of the same quality
as stipulated herein for the Chords and Guard Rails of the Howe Trusses, and
the remaining members of the structures shall be of a quality equal to that
specified in Section No. 7 herein.

35. The kind of timber used shall be the same as specified herein for Kind of wood.
Howe Trusses, or such other kind of wood as is stated on each drawing, or
as authorized by the Engineer in writing.

36. Mud sills not less than ten (10) inches in thickness must in all cases Cedar for mud sills.
be made of sound, live cedar, unless otherwise specified in writing by the
Engineer. The use of timber other than cedar for this purpose is objection-
able, and will be permitted only in case of necessity.

37. Care must be taken not to bury with earth any portion of the sills or Sills and posts not
posts. All pits for trestle foundations must have free drainage. to be buried.

38. All adjustments in heights of structures, due to settlement or other Adjustments.
causes, must be rectified by jacking up from the bottom of the proper elevation.

39. Before commencing work on any wooden structure, the ground must Clearing ground.
be entirely cleared of logs, brush, and trees for the whole of the width of the
right-of-way, and during the progress of the work, all pile and timber ends,
chips and brush, shall be cleared from around the structure and burnt, or
otherwise disposed of, as the Engineer may direct.

40. Dangerous trees liable to fall on a trestle when outside of the right-of- Clearing outside
way must be felled by the Contractor, it being understood that the Company right-of-way.
is to obtain permission from the land owners.

PILING FOR FOUNDATION.

41. Piles may be of oak, rock elm, Douglas fir, tamarac, cedar, jack pine, Timber.
or spruce, to be straight, or reasonably straight grained, sound, live timber,
free from all bad knots wind shakes or other defects. All diameters must be
measured inside the bark, which shall be removed before delivery.

42. Standard dimensions for piling are as follows: Minimum length in Dimensions.
feet. 15, 20, 25, 30, 35, 40, 45, 50, over 50. Diameter in inches at small end:
10, 9, 9, 9, 8, 8, over 7½.

All piles shall be made of live, sound, straight grained timber, free from
shakes. When ordered in length up to thirty (30) feet long, piles must be at

least ten (10) inches in diameter at tip, and not less than fourteen (14) inches in diameter under bark, measured at a point six (6) feet from butt. When over thirty (30) feet and up to sixty (60) feet long, piles must be at least nine (9) inches in diameter at tip, and not less than thirteen (13) inches in diameter under bark, six (6) feet from butt, and not exceeding sixteen (16) inches in diameter at same point.

- Lengths. 43. Piles will only be accepted and paid for in length as ordered by the Engineer.
- How driven. 44. Unless otherwise directed, all piles shall be sharpened and driven with the small end down, capped with a suitable iron ring as the Engineer may direct, to prevent spreading or brooming while driving, and, if required, shall be shod with an iron shoe of approved design.
- Driving. 45. Piles shall be driven until the fall of a hammer weighing 2,000 lb. with a clear fall of 25 feet, or an equivalent blow, causes a penetration not to exceed 10 inches under the last ten blows, or to such further limit as directed.
- Broken piles. 46. Should any piling be broken in the driving, another sound pile shall be driven alongside to replace it.
- Batter piles. 47. All piles must be driven vertically unless otherwise shown on the plan. Batter piles will be driven at the batter shown on the plan.
- Test piles. 48. Test piles shall be driven by the Contractor when and where ordered by the Engineer in writing, and the results therefrom used by the Engineer as he may deem necessary.
- Accurately driven. 49. The piles shall be driven accurately to the position required, and tenoned or bolted, or otherwise finished as called for in the detail drawings.
- Rings and shoes. 50. During the driving, if necessary, the Contractor shall use and furnish all necessary wrought iron rings to protect the head of the piles from brooming or splitting; and if further deemed necessary by the Engineer, the piles shall be shod with suitable metal shoes of approved design.
- Splicing piles. 51. The necessary length of piles may be determined by driving test piles. In case single lengths of piles cannot, in the opinion of the Engineer, be obtained that will reach hard bottom, he may allow the Contractor to splice two piles together, in such a manner as authorized by the Engineer or shown in detail drawings.
- How paid for. Piling will be paid for under the heads of "Piling Delivered" and "Pile Driving."
- Engineer's bill of lengths only will be paid. "Piling Delivered" will include piling furnished by the Contractor at bridge site, as ordered by the Engineer, and will be paid for by the lineal foot, but any lengths in excess of those ordered by the Engineer will not be paid for. "Pile Driving" will be paid for at the specified rate per lineal foot in the finished structure, which will include all work of any kind in connection therewith.
- Rings and shoes. 52. Rings shall not be paid for, but shoes will be paid for at the specified rate per shoe.
- How paid for.

SHEET PILING.

- Points. 53. Sheet piles shall be cut at the end so as to form a point at one side, and not in the middle, and when driven this point shall be kept next to the pile previously driven, to ensure contact, and when required by the Engineer, the Wakefield type of piling shall be used.
- Broken joints. 54. Where there are two or more rows of sheet piles, they shall be driven with broken joints.

55. Sheet piling will be paid for at the specified price per thousand feet How paid for.
board measure left in the work.

LOG AND TIMBER CULVERTS.

56. Log and timber culverts must be built in strict accordance with the Material.
general plan. Except when otherwise ordered, they shall be built of cedar.

57. Log culverts shall be made of sound, straight, green logs, from which Size of logs.
all bark must be removed, hewed on three sides, vertical faces according to
dimensions shown on standard plan, and parallel faces least width not less
than dimensions shown on standard plan for 8 x 8, 10 x 10, and 12 x 12 log
culverts, and as ordered by the Engineer in writing.

58. Material in log culverts will be estimated and paid for at the specified How paid for.
price per lineal foot in attached proposal for 8" x 8", 10" x 10", and 12" x 12"
logs. The lengths of timbers only will be considered, without regard to the
varying size or thickness above that specified and ordered by the Engineer in
writing.

59. Timber culverts will be made of sound, sawn timber, and in accor- Timber.
dance with the standard plans. They will be estimated and paid for at the
specified price per thousand feet board measure.

Exhibit No. 194.

ESTIMATES OF COST OF CONSTRUCTION OF THE PACIFIC GREAT EASTERN RAILWAY.

By F. C. GAMBLE, CHIEF ENGINEER OF DEPARTMENT OF RAILWAYS.
(Being Exhibit No. 194, produced by Mr. F. W. Anderson.)

DEPARTMENT OF RAILWAYS, B.C.,
VICTORIA, 4th April, 1917.

PACIFIC GREAT EASTERN R.WY.

MY DEAR SIR,—I enclose herewith, in response to your request, estimates of the cost of the Pacific Great Eastern Railway, the first made in 1913, and the second in 1917.

In view of the fact that the price of material is rising and labour is very scarce it is quite possible that the latter estimate may be exceeded. Locomotives and other rolling stock have doubled in price.

It is probable that the steel for the high trestles cannot be obtained within a couple of years.

Yours faithfully,
F. C. GAMBLE,
Chief Engineer.

F. W. Anderson, Esq., M.P.P.,
Legislative Chamber, Parliament Buildings, Victoria, B.C.

PACIFIC GREAT EASTERN RAILWAY.
(First estimate made 1913.)

Final Estimated Cost between Second Narrows, Burrard Inlet, and Fort George.

Right-of-way and station-grounds	\$ 1,401,600 00
Grading, tunnels, bridges and culverts, crossing signs, fences, etc.	19,179,289 40
Ties, rails, fastenings, tracklaying, and surfacing	5,333,398 00
Station buildings and fixtures, section-houses, water and fuel stations	637,640 00
Engine houses and turntables	360,000 00
Engineering expenses	900,000 00
	<hr/>
	\$27,811,927 40

Average cost per mile, \$58,014.03.

This average is based on the total distance of 479.4 miles.

This estimate is based on the preliminary survey over a portion of the line. Final location may cause slight changes in the figures.

The above estimate does not include rolling stock and equipment.

PACIFIC GREAT EASTERN RAILWAY.
(Second Estimate made 1917.)

Total value of work performed as per Estimate 41	\$18,000,000
Estimated total cost to complete	10,779,203
	<hr/> \$28,779,203

This estimate includes rolling stock and equipment.

See details attached.

The distance between the Second Narrows, Vancouver, and Fort George is, according to the last estimate, 476.1 miles; this divided into the above total gives an average cost per mile of \$60,448.

PACIFIC GREAT EASTERN RAILWAY.

Approximate Estimate of Cost of Completing the Pacific Great Eastern Railway from Second Narrows, Burrard Inlet, to Fort George.

Engineering	\$ 126,814
Station-grounds and right-of-way	700,000
Grading 51 miles, namely—	
From Second Narrows to Lonsdale Avenue .. 3 miles	
From White Cliff to Squamish .. 27 "	
And at Mile 247 .. 21 "	
	<hr/>
51 miles	2,589,728
Bridges and culverts, including steel bridges	2,297,776
Track in main line, including ballasting and all material, 284 miles—	
204 miles at \$9,245 per mile	\$1,885,980
80 miles (without rails) at \$3,800 per mile	304,000
	<hr/>
2189,980	
Sidings and yards, 12 miles at \$9,245 per mile	110,940
Frogs and switches	17,400
Crossings and signs	8,000
Filling in and making good at end of bridges	80,000
Roundhouses and shops	200,000
Water and fuel stations	100,000
Station buildings	200,000
Telegraph	122,000
Fencing	151,000
Interlocking plant	6,000
To complete ballasting of 180 miles north from Squamish	306,000
Rolling stock and equipment	2,332,929
	<hr/>
	\$11,538,567
Less amount paid out of amount provided by the "Loan Act"	759,364
	<hr/>
Proportional amount	\$10,779,203

Exhibit No. 145.

(Produced by Mr. John Callaghan.)

COPY OF LETTER FROM THE VICE-PRESIDENT (D'ARCY TATE) TO SIR RICHARD MCBRIDE, DATED JANUARY 30TH, 1914, CONTAINING APPROXIMATE ESTIMATE OF THE COST TO BUILD THE P.G.E. RAILWAY.

(Copy.)

January 30th, 1914.

*Honourable Sir Richard McBride, K.C.M.G.,
Prime Minister, Victoria, B.C.*

DEAR SIR,—With further reference to my letter of the 20th inst. I submit below a closely approximate estimate of the cost to build the Pacific Great Eastern Railway from the Second Narrows of Burrard Inlet, Vancouver, to Fort George, and separately, for purposes of comparison, an estimate of the cost of that portion between Vancouver and Clinton, 209.23 miles of very heavy work.

ESTIMATED COST OF LINE, P.G.E. RY., FROM SECOND NARROWS, VANCOUVER, TO FORT GEORGE.

Right-of-way and station-grounds	\$ 1,401,600 00
Grading, tunnels, bridges, and culverts, crossings, signs, fencing, etc.	19,179,289 40
Ties, rails, fastenings, tracklaying, and surfacing	5,333,398 00
Station buildings and fixtures, section-houses, water and fuel stations	637,640 00
Engine-houses and turntables	360,000 00
Engineering expenses	900,000 00
	<hr/>
	\$27,811,927 40

Average cost per mile, \$58,014.03.

The average cost is based on a total distance of 479.4 miles. As you are aware, we have only a preliminary survey over a portion of the line. Final location surveys may cause slight changes in the figures. The above figures are based on information available from present surveys.

ESTIMATED COST OF LINE, P.G.E. RY., FROM SECOND NARROWS, VANCOUVER, TO CLINTON, 209.23 MILES.

Right-of-way and station-grounds	\$ 631,702 00
Grading, tunnels, bridging, and culverts, crossings, signs, fencing, etc.	10,742,926 00
Ties, rails, fastenings, tracklaying, and surfacing	2,357,147 00
Station buildings and fixtures, section-houses, water and fuel stations	275,538 00
Engine-houses and turntables	270,000 00
Engineering expenses	400,000 00
	<hr/>
	\$14,677,313 00

Average cost per mile, \$70,149.18.

Taken in sections, the cost of construction runs as follows:—

Vancouver to Newport, 44.6 miles, \$103,536.55 per mile	\$ 4,617,730 00
Newport to Clinton, 164.63 miles, \$61,104.20 per mile	10,059,583 00
Clinton to Fort George, 270.17 miles, \$48,616.11 per mile	13,134,614 40

Total \$27,811,927 40

Average cost per mile, \$58,014.03.

Respectfully submitted.

Yours truly,

Vice-President.

Exhibit No. 149.

LETTER REPORT ON P.G.E. RY. TO THE MINISTER OF FINANCE BY JAS. H. KENNEDY, C.E., DATED MAY 12TH, 1916.

(Produced by the Department of Railways.)

VICTORIA, B.C., May 12th, 1916.

The Hon. Lorne Campbell,
Minister of Finance, Victoria.

DEAR SIR,—In accordance with your instructions of the 8th inst., I have, in company with Mr. H. J. Perrin, made an examination of the financial statement of the Pacific Great Eastern Railway Company, dated February 29th, 1916, and checked up the various items of cost of the work done as against the vouchers for payment, or from my calculations to show the figures are in accordance with what I know from experience the cost should approximate. I append a statement showing the actual cost of the various items and what each item of cost covers. I have also in company with Mr. Perrin made a trip of inspection over the line from Squamish to Clinton with the view of looking into the condition of the work and ascertaining that everything is as represented by the officers of the Company, and have gone into the matter as thoroughly as the limited time at my disposal would permit.

Grades and Curvatures.

I find the grades adopted to be the best the topography of the country affords. The maximum, 2.2, is the same as that of the Canadian Pacific Railway, Kettle Valley, and Great Northern on their mountain sections. The maximum curvature, twelve degree curves, where used are necessary to avoid excessive cost, and in my opinion wisely so. A better alignment would cost more than the additional investment would warrant.

Character of Work.

The line follows steep rock slopes most of the way and consequently the profile does not truly represent the amount of grading necessary. I herewith attach a statement of the final estimates of grading compiled from the estimates of the six divisions into which the work has been divided, with the prices at which the work has been done. This shows the second division, Squamish to Lillooet, 120 miles, averages 33,400 cubic yards per mile, of which 19,800 cubic yards is solid rock. The third division, that from Lillooet to Clinton, 45 miles, averages 68,810 per mile, of which 11,310 is rock. I append an approximate average cost per mile of these two divisions.

I am firmly convinced from my inspection of the line and the accounts and vouchers that the figures given for quantities, costs, etc., are substantially correct, and the work has been done to the credit of both engineers and contractors. It compares favourably with any other work done in British Columbia, and no waste of resources of the company is apparent anywhere. The only criticism I have to make of the work is that the rock cuts, in my opinion, are too narrow for a line subject to much snowfall. Eighteen feet is not sufficient width for rock cuts in a snow country, but, of course, this can be remedied later.

Track.

I have inspected their rail file and find the quantities and cost all right. The track is laid with 60 lb. steel on flat grades and 70 lb. steel on maximum grades, tie plated on curves; and at joints, centres, and quarters on tangents. I fully approve of the track arrangements as the most economical and best suited to the needs of the railway. The ballast is about an average lift of 6 inches. There has been laid 179 miles of main line track and 14 miles of sidings, making 193 miles in all, and, I understand, 53 miles of additional track material is on hand at Cheakamus for further use; also ties for 80 miles of additional track valued at approximately \$120,000 are said to be available for further track.

Contractor's prices.

Regarding the prices paid contractor for this work, I have examined the contract between the Pacific Great Eastern Railway Company and contractor, and have examined contracts for other similar work done by Messrs. Foley, Welch & Stewart for the Grand Trunk Pacific Railway, furnished at my request, and herewith attach a statement showing a comparison for your perusal. I also attach a private letter from Mr. J. W. Stewart, President, Pacific Great Eastern Railway, to Mr. John Callaghan, Chief Engineer, that was shown to me and which I have asked to be allowed to attach as it explains prices and conditions better than I can do. While these prices are somewhat higher than I have been accustomed to in my work, I wish to call your attention to the fact that an expensive tote-road, said to be 58 miles in length and to have cost \$137,588, was necessary and was constructed at contractor's own expense. This, with the purchase of the H.S. & N. Ry. at \$1,100,000, for which I understand contractor furnished capital, constitute an enormous initial outlay which could not be avoided and may be expected to have some bearing upon prices for this work. Supplies were hauled over this new tote-road from Squamish to Pemberton, 58 miles; from Lytton, 105 miles; and from Ashcroft, 160 miles. Taking all these difficulties into consideration, I am of the opinion that these contract prices are fair and equitable. It must be understood, however, that while Mr. Thomas, secretary-treasurer of the Pacific Great Eastern Railway Company, very kindly placed all information the Company has at our disposal, and produced all accounts and vouchers, etc., in his possession as required on request, he informs me that he has no information regarding the cost of the work to contractor or sub-contractors, consequently it is not possible to give you this information. However, Mr. Callaghan, the chief engineer, has produced final estimates of work done by sub-contractors on the Grand Trunk Pacific work above referred to, which show that they were paid higher prices than that received by Foley, Welch & Stewart themselves, and consequently were a direct loss to first contractors. I am aware that these are not isolated cases. It often occurs that contractors pay more than they receive on some parts of their work, but at the same time, from a fifteen years knowledge of the present contractor, his organization, general efficiency of himself, and his entire following, I think he is likely to make a good fair profit on the present contract unless something unforeseen or unexpected should occur.

Uncompleted portion.

I have not seen the country through which the uncompleted line traverses, but I have examined the progress profiles from Clinton to Fort George, which show only about twenty miles yet to be graded to complete. While some sections are quite light work, considerable is shown to be as heavy as that between Squamish and Clinton and there are several large steel bridges to be erected. That at Cottonwood is shown to be 306 feet high and 1,802 feet in length with an approach 85 feet high and 1,100 feet in length. The bridge at Mile 47, Hickson Creek South, is shown to be a 3,500 feet opening and 75 feet in height, consequently I believe the line north of Clinton as a whole cannot average much less per mile than that inspected, regardless of the lighter profile in places.

Additional outlay.

Outside of the statement of cost of construction as shown on sheet, I find on inspection considerable property installed along the line for which I understand the Railway Company has not yet paid the contractor.

179 miles cedar post single-wire telegraph line erected.

Permanent standard water tanks quite sufficient for all requirements on 179 miles track laid.

2,100 feet sidings at about 6-mile intervals along route.

Division yards at Squamish and Lillooet.

At Squamish 40,000-barrel steel oil tank and 6-stall engine house.

Station and section houses necessary for the 179 miles track laid.

Docks at Squamish and North Vancouver.

Rolling stock, including 6 locomotives.

A number of passenger cars, steel frame flat cars, box cars, etc., apparently all in good shape for operation. These run up into money very fast, but I am unable to give any estimate of their value or cost.

Statement of Approximate Cost per Mile.

Approximate average cost, first division, Squamish to Lillooet, 120 miles:—

Grading and bridging, average cost per mile	\$48,540
Tunnels, average cost per mile	858
Track laying, surfacing, and materials, approx. cost per mile	10,000
(Water stations, telegraph fencing, engineering expenses, not included.)	

\$59,398.

Average cost, second division, Lillooet to Clinton, 45 miles:—

Grading and bridging, average cost per mile	\$60,672
Tunnels, average cost per mile	2,356
Track surfacing and materials, per mile	10,000
(Water stations, depots, telegraph fencing, engineering expenses, not included.)	

\$73,028

Comparison of Pacific Great Eastern and Grand Trunk Prices.

	P.G.E.	GRAND TRUNK PACIFIC.	
		Prince Rupert to Copper River, 1908.	Tete Jaune Cache to Aldermere, 1912.
Clearing	\$150 00	\$180 00	\$150 and \$125
Trees off right-of-way	3 50	2 00	\$ 2 00
Grubbing	300 00	400 00	250 00
Solid rock	1 45	1 50	1 40
Loose rock	55	55	60
Excavation:			
Common earth	32	32	32
Hard-pan	50	...	...
Ovehaul, per yard, 100 feet	02	01	01½
Piling driven	35	25	25
Crib filling with stone	2 50	1 25	2 00
Rip-rap, hand laid	2 00	1 50	2 00
Rip-rap, random	1 25	1 25	1 50
Round logs in cribs	30	15	20
Bridge timber, m.b.m.	45 00	32 00	42 50
Timber in culverts, m.b.m.	30 00	30 00	40 00
Native timber, l.f.	30	20	20
Dry masonry .....	...	4 50	4 50
Tunnel, rock sec.	85 00	80 00	85 00
Iron	08	06½	07
Tunnel timber, m.b.m.	45 00	...	40 00

Statement as returned by Pacific Great Eastern, February 26th, 1916, as checked over and found to be at least approximately correct.

Engineering expenses checked against time pay-rolls, etc.	\$ 800,661 11
Right-of-way, cash paid, not including right-of-way on Development Company's townsite property	391,953 27
Tunnels, including enlargement tunnel timber as checked against total length	296,764 49
Ties in track and furnished right-of-way	401,652 19
Rails in track and piled on right-of-way as checked against rail file	1,159,793 33
Frogs and switches as shown by Railway Company's books	25,332 20
Track fastenings, including tie plates, angle bars, bolts, spikes, etc., as per Com- pany's record	258,626 98
Ballast, approx. 165 miles at 6" lift	118,376 94
Track laying and surfaces, approx. 179 miles, plus 30 sidings, assumed 193 total mileage, including train service	265,990 27
Fencing as done in spots to protect ranch lands	1,767 82
Crossings and signs	2,042 19
North Vancouver and White Cliff Station, total cost	6,617 59
Shops, engine houses, and turntables:—	
Squamish	\$11,440 00
Allamont	3,112 16
	14,552 16
Water stations: Cost of water records, fees, etc.	3,007 25
Cost of water records, fees, etc.	3,007 25
Fuel station at Squamish, inspection charges only	590 66
Miscellaneous small structures	3,661 06
Insurance on launch	555 80
Interest, commission and exchange, legal expense, printing, etc.	1,435,893 20
Howe Sound and Northern section, including right-of-way, except across the town- site property (as per Mr. Gamble's estimate)	193,068 62
General expenses for four years	143,048 60
Grading, as per detailed estimate	12,299,827 46
Bridges and culverts, as per detailed estimates	2,682,196 06
	\$20,505,979 25

Estimate of Grading as returned February 29, 1916.

	Contract Price per Acre.	Section 1, Van. and White Cliff.	Section 2, Lilloet and Squamish.	Section 3, Lilloet and Clinton.	Section 4, Clinton to Soda Creek.	Section 5, Soda Creek to Quesnel.	Section 6, Quesnel to Fort George.
Clearing, acres	\$150 00	\$ 137 41	\$ 1,436 58	\$ 508 83	\$ 1,682 92	\$ 752 68	\$ 1,297 97
Grubbing, acres	300 00	16 83	147 73	274 01	158 41	117 92	166 19
Earth, cu. yds.	32	45,015 00	393,539 00	1,001,306 00	65,312 00	181,673 00	382,932 00
Hard-pan, cu. yds.	50	67,190 00	274,774 00	1,073,804 00	67,537 00	203,820 00	352,557 00
Loose rock, cu. yds.	55	26,436 00	967,937 00	506,405 00	1,082,350 00	630,837 00	1,906,046 00
Solid rock, cu. yds.	1 45	118,220 00	1,891,852 00	413,617 00	463,478 00	193,390 00	220,737 00
Solid rock overbreak, cu. yds.	1 25	18,632 00	483,402 00	93,410 00	36,024 00	22,331 00	18,876 00
Trees outside right-of-way, ea.	3 50	68 00	424 00	286 00	212 00	339 00	377 00
Overhaul, c.y. 100'	02	703,730 00	2,526,266 00	654,392 00	2,630,474 00	1,348,860 00	6,940,572 00
Random rip-rap, c.y.	1 25	266 00	8,008 00	11 00	927 06	...	...
Hand-laid rip-rap, c.y.	2 00	...	929 01	812 09	26 00	...	...
Filling cribs, c.y.	2 50	11,361 00	4,884 05	2,253 00	240 00	...	...
Iron in cribs, p. lb.	08	27,900 00	71,415 00	63,751 00	10,144 00	15,528 00	935 00
Timber, lin. ft.	25	54,300 00	216,461 00	203,705 00	35,974 00	43,167 00	5,925 00
Excavation, yds.	3 00	650 00	22,429 02	29,075 00	...	...	...
Train fill, yds.	50	27,540 00	226,271 00	6,057 08	624 29	1,051 05	16 06
Cribbing, overhaul, yds.	1 00	...	1,586 05	...	...	486 00	799 00
Under drains, lin. ft.	75	...	...	...	...	...	...

Total Grading.

	\$ 357,783 70
	4,720,983 55
	2,112,650 34
	2,036,855 75
	923,531 65
	2,077,741 23
	<hr/>
	\$12,229,546 22
Extra work	70,281 24
	<hr/>
	\$12,299,827 46
	<hr/>

Summary.

Page 7 (*see* printed page 687) is an approximate estimate of the cost of the two completed sections, viz., Squamish to Lillooet and Lillooet to Clinton. This is only approximate, but will give some idea of what it should cost.

Page 8 (*see* printed page 687) is a table showing the prices in contract on this work and prices for two contracts on Grand Trunk Pacific work for use in making comparison of prices with that work.

Pages 9 and 10 (*see* printed page 688) are the items I have checked over and show the cost of the work substantially correctly in my opinion.

Pages 11 and 12 (*see* printed pages 689, 690) are copies of detailed estimate as compiled from estimate returned to Government on February 29th, 1916.

Certified to be substantially correct as far as I am able to obtain information in the limited time at my disposal.

Yours very truly,

JAS. H. KENNEDY.

Exhibit No. 36.

(Produced by the Department of Railways.)

REPORT ON INVESTIGATION INTO THE FINANCIAL RELATIONS OF THE GOVERNMENT WITH THE PACIFIC GREAT EASTERN RAILWAY COMPANY, UP TO THE DATE WHEN THE PROCEEDS OF THE COMPANY'S DEBENTURE STOCK WERE EXHAUSTED.

VANCOUVER, January 22, 1917.

To the President of the Executive Council of the Provincial Government of British Columbia.

PACIFIC GREAT EASTERN RAILWAY COMPANY.

SIR,—In accordance with instructions received from the Hon. John Oliver, Minister of Railways and Agriculture, we have conducted, in conjunction with our examination of the Provincial accounts, an investigation into the financial relations of the Government with the Pacific Great Eastern Railway Company, up to the date on which the proceeds of the Company's debenture stock were exhausted, and annex hereto the following statements:—

Exhibit I.—Statement of moneys deposited to the credit of the Minister of Finance in connection with the British Columbia Government's guarantee of the Pacific Great Eastern Railway Company's securities.

Exhibit II.—Statement showing analysis of estimates as furnished the British Columbia Government by the Pacific Great Eastern Railway Company under chapter 34, Statutes 1912, and upon which moneys were released by Orders in Council.

Exhibit III.—Statement showing the disposition of moneys received by the Pacific Great Eastern Railway Company from the British Columbia Government on Estimates Nos. 1 to 41.

Exhibit IV.—Statement showing amounts that were payable to the Pacific Great Eastern Railway Company in respect of estimates submitted to November 30, 1915, according to subsection (d) of section 9, chapter 34, 1912, and amendments, our reading of which has been confirmed by the Attorney-General's Department.

With regard to the annexed statements we desire to report as follows:—

EXHIBIT I.

It will be noted that the total of securities guaranteed by the Government amounts to \$20,160,000, which is on the basis of \$42,000 per mile for 480 miles, as mentioned in the Statutes, and not for 476.1 miles, the final length of the road, as determined by the Company. You will notice that the cost of the issue of the First Mortgage Guaranteed $4\frac{1}{2}$ per cent. Debenture Stock, excluding discount, amounts to \$440,439.22, being approximately 3.09 per cent., which is not excessive as compared with the cost of the British Columbia Government loan made in England at about the same date.

It will be observed that there was an amount of \$231,644.83 deducted in London to pay interest on the Pacific Great Eastern Railway Company's securities, and that the Company subsequently refunded \$139,207.36 of this amount (out of moneys received from the Provincial Government on estimates), leaving \$92,437.47 as a payment which was not, as far as we could ascertain, authorized by an Order in Council.

The securities were sold in London through Messrs. Brown, Shipley and Company; the fiscal agents of the Pacific Great Eastern Railway Company. We have requested the Pacific Great Eastern Railway Company to ask Messrs. Brown, Shipley and Company to confirm, direct to us, the total amount of securities issued by them, and until we receive this confirmation we have no complete verification as to whether the total amount of securities as shown by the records of the Company as issued, are all that have been issued. We may state, however, that the periodical payments of interest exactly equal the amount of interest payable on the securities shown as outstanding.

EXHIBIT II.

We are advised by Mr. Gamble, the Government's Chief Railway Engineer, that the amount of estimates for location engineering, construction engineering and overhead charges, representing

charges outside the Welch contract, are not excessive when compared to similar charges entering into the construction of other railroads. We might mention that the item executive and accountancy includes \$1,000 per month paid to Mr. D'Arcy Tate, Vice-President of the Company, for salary and legal services, and that the item of general expenses includes legal services amounting to \$14,822 paid to outside solicitors.

Howe Sound and Northern Railway, \$193,068.62.—The purchase price of this line of railroad is the amount passed by Mr. Gamble after he had revised the figure claimed by the Company on its estimate which was, we understand, with the exception of the charges for right-of-way, based on the Welch contract prices. The purchase price of \$193,068.62 was allocated as follows, according to receipts examined by us:—

Trustees of the Howe Sound and Northern Railway Company	\$ 5,000 00
Foley, Welch & Stewart	188,068 62
Total	\$193,068 62

We were informed that the amount paid Foley, Welch & Stewart was to reimburse them for the amount they had already paid to the trustee. In the revised figures furnished by Mr. Gamble in connection with this purchase, there is an arithmetical error amounting to \$5,765.76, the extension of 29,120 feet of culvert timber at \$22 per thousand being shown as \$6,406.40 instead of \$640.64. This amount should be recovered by the Pacific Great Eastern Railway Company from Foley, Welch & Stewart and refunded to the Government, or deducted by the Government from the next estimate furnished by the Pacific Great Eastern Railway Company.

The title to the right-of-way included in this purchase, amounting to \$83,690, still stands in the name of the vendors, who we understand are now amalgamated with the Pacific Great Eastern Railway Company.

We might mention that the contractor, P. Welch, is operating the line purchased from the Howe Sound and Northern in conjunction with that portion of the road which he has constructed and is operating under the terms of his contract with the Pacific Great Eastern Railway Company, but so far as we can ascertain he is not paying anything to the Company for the privilege of operating the 7.06 miles of road which he did not construct, nor anything for the benefit of certain contracts which we understand were included in the purchase of the Howe Sound and Northern.

Right-of-way, \$316,309.19.—The estimates under this head are constituted as follows:—

Cost of land purchased	\$139,416 16
Land surveyors (approximately)	25,000 00
Partial payment on land at Vancouver terminal	52,000 00
Fees and expenses of counsel, salary of right-of-way agent, appraisal expenses, cost of removal of obstructions, recording deeds, etc. (approximately)	99,893 03

Total 316,309 19

We examined a duplicate-signed deed in favour of the Company for each parcel of land purchased. In most cases a certificate or other evidence of title was attached. None of the land as evidenced by the deeds was purchased from the Pacific Great Eastern Development Company.

Constructing Railroad, \$17,365,572.65.—The estimates furnished by the contractor and submitted to the Government by the Company were certified to by Mr. John Callaghan, the chief engineer of the Pacific Great Eastern Railway Company, and again certified by Mr. R. D. Thomas, auditor of the Pacific Great Eastern Railway Company. The arithmetical accuracy of estimates was tested by us, and it was ascertained that the prices stated thereon were the contract prices.

It will be observed that retentions amounting to \$1,583,030.21 were owing to P. Welch on Estimates Nos. 1 to 40. It was the policy of the Government, up to May, 1915, to withhold retentions on estimates furnished under the Welch contract, but estimates submitted after May, 1915, were paid in full. In July, 1915, the Government paid to the Company the amount of \$766,319.69, being half the retentions they had withheld. In this connection it will be noticed, on reference to Exhibit III., that the amounts retained have not been kept separate and available for eventual payment, but have been used by the Company towards the payment of sundry items

and interest on its securities and bank loan, notwithstanding that the same had been specifically struck out of the estimates by the Government.

EXHIBIT III.

The amounts paid by the Company for work performed under the Welch contracts have been verified by receipts from the contractor. Receipted vouchers and other evidences of payment were produced to us in verification of the interest paid. Of the expenditure outside the Welch contract, receipts aggregating \$332,484.78 were examined by us, and the remaining disbursements, which consist principally of payments for salaries and sundry supplies, were verified by the Company's records. We have already referred in our remarks under Exhibit II. to the fact that these charges are not considered excessive by Mr. Gamble.

EXHIBIT IV.

We have assumed that the final length of the road as determined by the Company—viz., 476.1 miles—was ascertained and known to the Minister of Finance on or before the date on which the last moneys were released to the Company. We have based the estimated cost of 476.1 miles, on the total estimated cost of 480 miles, as agreed to by Mr. Gamble and Mr. Callaghan, chief engineer of the Company. In ascertaining the amount payable to the Company for the proportionate value of work done to November 30th, 1915, we have assumed the following as being in accordance with the Statutes:—

- (1.) That the total cost of construction and materials is the total of Estimates Nos. 1 to 41 as furnished by the Company after excluding items which have been eliminated from the estimates by the Government:
- (2.) That the net amount credited to the Minister of Finance in respect of guaranteed securities sold and pledged, is the amount of the Government's guarantee for the purpose of ascertaining the amounts payable to the Company.

According to our interpretation of the Statutes governing the payment to the Company for the proportionate value of work done to November 30th, 1915 (which has been confirmed by the Attorney-General's Department in a memorandum dated January 20th, 1917, addressed to the Honourable the Minister of Railways), there has been an amount of \$5,704,316.50 paid in excess, as shown in Exhibit IV. We have noticed that Mr. Gamble has, up to Estimate No. 19, recommended to the Executive Council that the amounts of the estimates be transferred to the credit of the Company, but from Estimates Nos. 20 to 41 he does not recommend the amounts for payment, but commends them to the consideration of the Council.

We shall be glad to furnish any further information you may desire in connection with our investigation.

We have the honour to be,

Sir,

Your obedient servants,

PRICE, WATERHOUSE & CO.

EXHIBIT I.—STATEMENT OF MONEYS DEPOSITED TO THE CREDIT OF THE MINISTER OF FINANCE IN CONNECTION WITH THE BRITISH COLUMBIA GOVERNMENT'S GUARANTEE OF THE PACIFIC GREAT EASTERN RAILWAY COMPANY'S SECURITIES.

Securities issued—

First Mortgage Guaranteed $4\frac{1}{2}\%$ Debenture Stock \$14,234,805 00

Deduct—

Discount \$170,687.29 or 3.31%

Underwriters' commission and broker-

age \$428,564.97

Expenses 4,474.94

Exchange 7,399.31 440,439.22 or 3.09%

Total cost of issue \$911,126.51 or 6.40%

Interest on Pacific Great Eastern Com-
pany's securities paid in London..\$231,644.83

Less—Refunded by Company out of
moneys released to them by the

Government on estimates 139,207.36 92,437.47 1,003,563 98

Amount credited to Minister of Finance in respect of securities
sold \$13,231,241 02

Securities pledged—

Amount credited to Minister of Finance in respect of securities pledged, being
a loan paid in monthly instalments by the Union Bank of Canada, secured
by the undermentioned debenture stock 4,800,000 00

First Mortgage Guaranteed $4\frac{1}{2}\%$ Debenture Stock \$2,565,195.00

Second Mortgage Guaranteed $4\frac{1}{2}\%$ Debenture Stock 3,360,000.00

\$5,925,195.00

Interest earned on bank balances (total securities guaranteed by British Columbia
Government, \$20,160,000) 215,738 42

Total deposited to credit of Minister of Finance \$18,246,979 44

EXHIBIT II.—STATEMENT SHOWING THE ANALYSIS OF ESTIMATES AS FURNISHED THE BRITISH COLUMBIA GOVERNMENT BY THE PACIFIC GREAT EASTERN RAILWAY COMPANY UNDER CHAPTER 34, STATUTES 1912, AND UPON WHICH MONEYS WERE RELEASED BY ORDERS IN COUNCIL.

Location engineering (salaries and expenses of engineers)	\$	206,295	68
Construction engineering, Divisions 1 to 6 (salaries and expenses of engineers) ..		524,711	42
Overhead charges—			
Engineering equipment (pack horses, transits, levels, and engineers' instruments)	\$32,035.62		
Office furniture	5,539.00		
Office expenses	44,060.67		
General expenses	44,696.42		
Executive and accountancy	63,788.04		
Insurance	140.00	190,259	75
Howe Sound and Northern Railway (purchase price)		193,068	62
Right-of-way, Divisions 1 to 6		316,309	19
Total estimates furnished by the Company, being expenditure outside the Welch contract			
\$ 1,430,644 66			
Constructing railroad—			
Cost per Estimates Nos. 1 to 40 furnished by P. Welch and submitted by the Company	\$17,365,572.65		
Less—Retentions	1,583,030.21	15,782,542	44
Retentions on P. Welch contract, \$766,319.69 of which was previously withheld by Government		816,710	52
Interest earned on bank balances		211,780	91
Partial payment on Estimate No. 41		5,300	91
Total		\$18,246,979	44

EXHIBIT III.—STATEMENT SHOWING THE DISPOSITION OF MONEYS RECEIVED BY THE PACIFIC GREAT EASTERN RAILWAY COMPANY FROM THE BRITISH COLUMBIA GOVERNMENT ON ESTIMATES NOS. 1 TO 41.

Total amount released by Government as shown on Exhibit II.	\$18,246,979	44
Expended by the Pacific Great Eastern Company according to its records, as follows:		
P. Welch for work performed under contract ..	\$15,610,150.00	
Expenditures outside the Welch contract	1,427,848.92	
Interest on securities issued and bank loan ..	1,021,647.60+0	
On Estimate No. 41 (only part payment of which was received from Government) ...	8,334.82	
Payment of sundry items included in estimate, but disallowed by Government	9,600.16	
Expenses of organization, \$500, and advertising, \$2,500, not included in estimates by Company	3,000.00	
Portion of interest deducted from proceeds of securities sold refunded by Company out of moneys received on estimates	139,207.36	\$18,219,788.86
Balance being cash in bank and advances		27,190.58
Total released by Government		\$18,246,979 44

EXHIBIT IV.—STATEMENT SHOWING AMOUNTS THAT WERE PAYABLE TO THE PACIFIC GREAT EASTERN RAILWAY COMPANY IN RESPECT OF ESTIMATES SUBMITTED TO NOVEMBER 30, 1915, ACCORDING TO SUBSEC. (D) OF SEC 9, CHAP. 34, 1912, AND THE "PACIFIC GREAT EASTERN AID ACT, 1914," OUR READING OF WHICH HAS BEEN CONFIRMED BY THE ATTORNEY-GENERAL'S DEPARTMENT.

The part of subsection (d) of section 9 which governs the method of payment reads as follows:—

"And from time to time as the work of construction proceeds, the Government by the Minister of Finance, or other duly appointed representative of the Government, shall, out of the said balances, certify to the bank the amount to be transferred from the said account to the credit of the Company, or its nominees, in monthly payments as far as practicable such sums as are justifiable, having regard to the proportion of work done and materials and supplies purchased for the said railway as compared with the whole work done and to be done thereon pending completion of the said line."

The interpretation of which is represented by the following fraction:—

Amount of work done	of the total amount credited	Proportionate value of
Estimated total cost (as fixed by the Government's Chief Railway Engineer and the Chief Engineer of the Company)	to the Minister of Finance in respect of guaranteed securities sold and pledged	work done (as passed by the Government on Estimates Nos. 1 to 41) payable to the Company.

Which, when applied, is shown as follows:—

Total of work done as passed by the Government on Estimates Nos. 1 to 41	\$18,888,599 78	
Multiplied by the net amount credited to the Minister of Finance in respect of securities sold and pledged	18,031,241 02	
Divided by the estimated total cost of 476.1* miles of road (this being the final length of the line as determined by the Pacific Great Eastern Railway Company)	27,620,481 19	= proportionate value of work done (as passed by the Government on Estimates Nos. 1 to 41) payable to the Company
		\$12,330,882 03
		Total amount paid on Estimates Nos. 1 to 41 by the Government to the Pacific Great Eastern Railway Company out of the net amount credited to the Minister of Finance in respect of securities sold and pledged ..
		18,035,198 53
		Total payments made in excess of the proportion of the estimates payable, according to our interpretation of subsection (d) of section 9, chapter 34, 1912, and the "Pacific Great Eastern Aid Act, 1914," which has been confirmed by the Attorney-General's Department
		\$ 5,704,316 50

* Based on the estimated total cost of 480 miles as agreed to by the Government's Chief Railway Engineer and the Engineer of the Pacific Great Eastern Railway Company.

Exhibit No. 191.

SUMMARY OF STATEMENT SHOWING APPROXIMATE DIFFERENCE BETWEEN AMOUNTS EARNED BY P. WELCH AND AMOUNTS EARNED BY STATIONMEN, ETC.

(BY PRICE, WATERHOUSE & Co., PRODUCED BY MR. TOWNSEND.)

SUMMARY OF STATEMENT showing the approximate difference between the amounts earned by Patrick Welch, as shown by Engineer's estimates to November 30th, 1915, under his construction contract, dated September 23rd, 1912, with the Pacific Great Eastern Railway Company, and the estimated average amounts earned by Stationmen on Engineer's estimates to November 30th, 1915, plus the amounts paid to sub-contractors, according to information ascertained by and furnished to us up to April 3rd, 1917.

Division No.	1.	43.97 miles	Total Estimated Average Amount earned by Stationmen.	Total Amount earned by P. Welch.	Approximate Difference.	Percentage.
"	2.	118.93 "	\$ 418,022 32	\$ 748,754 54	\$ 330,732 22	79.11
"	3.	46.1 "	4,627,424 49	7,846,515 13	3,219,090 64	73.31
"	4.	134.3 "	1,343,425 87	2,972,039 43	1,628,614 06	121.23
"	5.	53.9 "	1,235,484 94	2,416,753 63	1,181,268 69	95.61
"	6.	78.9 "	660,335 53	1,109,771 05	449,435 47	98.00
			1,229,567 18	2,470,993 23	1,241,426 05	100.96
Total	476.1	"	\$9,314,259 88	\$17,564,797 04	\$8,250,537 16	88.53
Deduct: Payments made to sub-contractors.				598,729 20		....
Add: Total amount representing alleged overcharge of freight on track materials as estimated by Messrs. Howatson & Anderson, and shown in foot-notes on divisional statements attached hereto				\$7,051,807 96		82.15
Approximate net difference				36,080 00		....
				\$7,087,887 96		....

In the above approximate statement it will be observed that:—

(1.) We have taken the Engineer's Estimates of work done to November 30th, 1915, as that was the date of the last Estimates furnished up to the time when the proceeds of the Guaranteed Securities were exhausted.

(2.) The value of the work performed by Patrick Welch is included at the estimated average amounts earned by Stationmen.

(3.) We have assumed that the payments made to Sub-contractors as per settlement sheets furnished to us, represent all the profits earned by them.

(4.) No profits on Trading Account (Commissary, &c.) have been included.

(5.) The only item of expense included is the estimated average amounts earned by the Stationmen, plus the amounts paid to Sub-contractors.

STATEMENT SHOWING APPROXIMATE DIFFERENCE BETWEEN AMOUNTS EARNED BY P. WELCH, ETC.—Continued.

DIVISION 2—Concluded.

Classification as shown by Engineer's Estimates.	Quantity.	Estimated Average Price to Stationmen.	Total Estimated Average Amount earned by Stationmen.	P. Welch Contract Price.	Total Amount earned by P. Welch.	Approximate Difference.
Cribbing, frame.....	457,583	\$ 22 50 M.E.M.	\$ 10,970 62	%	\$ 21,941 23	.....
" " rock fill.....	4,140	1 25 cu. yd.	5,175 00	2 50	10,350 00	.....
Newport Ferry Slip—						
piling delivered.....	1,740	0 7 lin. ft.	121 80	35	609 00	.....
piling driven.....	1,190	0 20 "	238 00	35	416 50	.....
Frame timber in trestles (except stringers).....	14,800	22 50 M.E.M.	558 00	45 00	1,116 00	.....
Frame timber in in stringers.....	24,200	25 00 "	355 00	50 00	710 00	.....
Iron in trestles.....	3,780	0 6 lb.	226 50	08	302 40	.....
Special iron.....	2,150	0 16 "	344 00	16	344 00	.....
Track-ties.....	382,120	0 30 each.	76,424 00	50	191,060 00	.....
Switch-ties.....	182,718	20 00 M.E.M.	3,654 36	45 00	8,222 31	.....
Track-laying.....	124 65	400 00 mile.	51,300 00	750 00	96,187 50	.....
Surfacing.....	201,970	500 00 "	62,325 00	700 00	87,255 00	.....
Ballast.....	9 5	25 00	237 50	50 00	100,985 00	.....
Cattle-guards.....	21	5 00	105 00	12 00	252 00	.....
Crossing-signs.....	17,650	50 00	353 00	32 00	564 80	.....
Planks in crossings.....						
Squashish, Terminals—						
Engine-house foundations, concrete.....	440	12 50 cu. yd.	5,500 00	15 00	6,600 00	.....
Turntable foundations, concrete.....	319	12 50 "	3,987 50	15 00	4,785 00	.....
Sewer foundations, concrete.....	3 4	12 50 "	42 50	15 00	51 00	.....
Extra work (25 per cent. of Welch price).....	.....	.....	49,958 87	60,647 82	66,647 82	.....
Track material.....	.....	.....	1,358,292 31	1,358,292 31	1,358,292 31	.....
Totals.....	.....	.....	\$4,527,424 49	.....	\$7,846,515 13	\$3,319,090 64=73.31%

* Track material : Overpayment representing freight on this material estimated by Mr. Howatson at \$19,200.

DIVISION 3.

Clearing.....	508 83	\$ 25 00 acre.	\$ 12,720 75	\$150 00	76,324 50	.....
Grubbing.....	94 04	125 00	3,005 00	300 00	7,212 00	.....
Excavation, earth.....	1,000,193	18 yard.	180,034 74	32	320,061 76	.....
" cemented material and hard-pan.....	1,000,800	25 "	270,222 50	55	540,445 00	.....
" loose rock.....	506,827	29 "	148,979 83	1 45	278,754 85	.....
" solid rock.....	415,224	65 "	269,895 60	1 25	602,074 80	.....
" solid rock (beyond base and slopes).....	38,410	50 "	46,705 00	3 50	116,760 50	.....
Trees cut down.....	286	1 00 each.	286 00	02	1,001 00	.....
Extra haul, over 500 feet per cubic yard.....	654,592	00 3 100 ft.	4,909 44	.....	13,091 84	.....
Retaining-wall, bank-protection.....	11	1 25 cu. yd.	13 75	1 25	13 75	.....
Riprap, random.....	812 9	2 50 "	1,025 80	2 00	1,625 80	.....
" hand-laid.....	2,253	2 50 "	5,632 50	2 50	5,632 50	.....
Cribbing, rock fill.....	64,196	08 lb.	5,135 68	08	5,135 68	.....
" wrought iron.....	202,017	12 lin. ft.	24,242 04	25	50,504 25	.....
" native timber.....	20,075	50 cu. yd.	14,537 50	3 00	87,225 00	.....
Excavation, crib foundations.....						

	\$ 5,944.8	\$ 1 00 ton mile.	\$ 5,944.80	\$ 1 00	\$ 5,944.80
Overhaul on crib material.....	5,944.8				
Train fill.....	981	50 00 lin. ft.	46,550 00	35 00	79,135 00
Tunnel, rock section.....	123	40 00 "	4,920 00	38 00	10,455 00
Tunnel, timber section.....	91,772	22 50 M.B.M.	2,064 87	49 00	4,129 74
Tunnels, timber lining.....	2,082.8	3 00 cu. ft.	6,248 40	5 98	12,455 14
Tunnels, extra size all over standard tender section.....	58,085	3 06 foot.	3,485 10	35	20,329 75
Piling delivered.....	33,628	15 "	5,044 20	33	11,769 80
Pile-driving.....	174,000	22 50 M.B.M.	3,915 20	45 00	7,880 00
Cedar mud-sills.....	17,278	345 56	845 56	32 00	562 89
Timber, best-quality cedar.....	80,277	12 lin. ft.	9,683 24	32 30	24,083 10
Timber, native cedar.....	4,159,000	22 50 M.B.M.	93,577 50	45 00	187,155 00
Frame timber in trestles.....	779,480	24 00 "	18,707 52	50 00	38,974 00
" stringers.....					
" above stringers.....					
" in crib-work.....	90,748	20 00	1,814 96	32 00	2,908 94
" box drains.....	300,100	08 lb.	24,008 00	08	24,008 00
Iron in trestles.....	35,592	08 "	2,847 36	08	2,847 36
Iron in culverts.....	238.5	75 cu. yd.	178 88	2 00	477 00
Blind drains.....	209.2	1 50 "	313 80	2 50	523 00
Paving in culverts.....	52	1 50 "	78 00	2 50	104 00
Riprap, hand-laid.....	84,962.2	60 "	50,977 32	3 00	254,886 60
Excavations in foundations.....	7,998.9	1 00 ton mile.	7,998 90	1 00	7,998 90
Overhaul on construction material (over 4 miles).....					
Cribbing, iron.....		08			
" frame.....		22 50			
" rock fill.....		1 50			
Track-ties.....	187,683	15 each.	28,152 45	50	93,841 50
Switch-ties.....	49,000	20 00 M.B.M.	980 00	45 00	2,205 00
Track-laying.....	89.5	350 00 mile.	13,825 00	750 00	29,695 00
Side surfacing.....	30 00	500 00 "	15,000 00	700 00	21,000 00
Surfacing, train-hauled.....	18,000			50	9,000 00
Cattle-guards.....	3.5	25 00	87 50	50 00	175 00
Plank in crossings.....	6,000	18 00	108 00	32 00	192 00
Crossings signs.....	4	5 00	20 00	12 00	48 00
Extra work (hills rendered.....					
* Track material.....			\$1,332,772.49		\$2,058,514.75
			8,500 00		1,371 80
			2,152 88		2,152 88
Totals.....			\$1,848,425.37		\$2,972,039.43
					\$1,628,614.06=121.23%

* Track material: Overpayment representing freight on this material estimated by Mr. Howatson at \$7,300.

DIVISION 4.

Clearing.....	1,682.92	\$ 35 00 acre.	58,902 20	\$150 00	252,438 00
Grubbing.....	158.41	125 00 "	19,801 25	300 00	47,523 00
Excavation, earth.....	65,325	125 21 yard.	13,798 83	32	20,919 86
" cement material and hard-pan.....	673,327	28 "	188,674 36	50	336,918 50
" loose rock.....	1,082,520	30 "	324,750 00	55	596,391 50
" solid rock.....	463,693	80 "	370,854 40	1 45	672,173 60
" solid rock (beyond base and slopes).....	36,023	50 "	18,012 00	1 25	45,030 00
Trees cut down.....	2,080,171	1 00 each.	212 00	3 50	742 00
Extra haul.....	327.6	60 100 ft.	20,103 50	02	53,060 48
Riprap bank protection, random.....	26	60 cu. yd.	556 50	1 25	1,159 50
Riprap bank, hand-laid.....	240	1 00 "	26 00	2 00	52 00
Cribbing bank, rock fill.....	10,144	1 50 "	300 00	2 50	600 00
" wrought iron.....	35,974	68 lb.	811 52	08	811 52
" native timber.....	624.29	12 lin. ft.	4,316 88	25	8,993 50
Overhaul on crib material.....		1 00 ton mile.	624 29	1 00	624 29

STATEMENT SHOWING APPROXIMATE DIFFERENCE BETWEEN AMOUNTS EARNED BY P. WELCH, ETC.—*Concluded.*

DIVISION 4—*Concluded.*

Classification as shown by Engineer's Estimates.	Quantity.	Estimated Average Price to Stationmen.	Total Estimated Average Amount earned by Stationmen.	P. Welch Contract Price.	Total Amount earned by P. Welch.	Approximate Difference.
Bridges and culverts.....	.....	.....	.....	.....	.....	.....
Piling delivered.....	.....	07 foot.....	.....	.....	.....	.....
Pile-driving.....	.....	20 ".....	.....	35	.....	.....
Cedar mud-sills.....	.....	20 00 M.B.M.....	.....	45 00	.....	.....
Timber, best-quality cedar.....	21,251	18 00 ".....	382 62	32 00	\$ 680 03	.....
Timber, native.....	426,459	12 lin. ft.....	61,175 08	30	127,937 70	.....
Frame timber in trestles (except stringers).....	.....	22 50 M.B.M.....	.....	45 00	.....	.....
Plank box drains and culverts.....	18,698	20 00 ".....	373 96	32 00	598 33	.....
Iron in trestles.....	.....	08 lb.....	.....	08	.....	.....
Iron in culverts.....	162,506	08 ".....	13,000 48	08	13,000 48	.....
Blind drains.....	494.7	50 cu. yd.....	247 35	2 00	989 40	.....
Paving in culverts.....	1,435.3	1 50 ".....	2,152 95	2 50	3,588 25	.....
Birch, hand-laid.....	286.2	1 00 ".....	286 20	2 00	572 40	.....
Excavation in foundations (no coffer-dams).....	33,940.6	1 50 ".....	16,970 30	3 00	101,821 80	.....
Excavation on construction material (over 4 miles).....	10,674.3	1 00 ton mile.....	10,674 30	1 00	10,674 30	.....
Track-ties.....	.....	15 each.....	.....	50	.....	.....
Switch-ties.....	.....	20 00 M.B.M.....	.....	45 00	.....	.....
Track-laying.....	.....	400 00 mile.....	.....	750 00	.....	.....
Plank in crossings.....	.....	20 00 ".....	.....	32 00	.....	.....
Clinton engine-house.....	.....	.....	.....	.....	.....	.....
Extra work, hills rendered (25 per cent. off Welch price).....	.....	.....	\$1,117,005 49	.....	\$2,296,848 94	.....
Track material.....	.....	.....	4,275 74	.....	5,700 98	.....
Totals.....	.....	.....	*114,203 71	.....	*114,203 71	.....
			\$1,235,484 94	.....	\$2,416,753 63	\$1,181,268 69=95.61%

* Representing \$7,500 freight on this material, estimated overpayment by Mr. Howatson.

DIVISION 5.

Clearing.....	752 68	\$ 55 00 acre.....	\$ 41,397 40	\$150 00	\$112,902 00	.....
Grubbing.....	117 92	1 50 00 ".....	17 688 00	300 00	335,376 00	.....
Excavation, earth.....	181 673	20 cu. yd.....	36,334 60	32	58,135 36	.....
cement material and hard-pan.....	303 820	28 ".....	85 069 60	50	151,910 00	.....
loose rock.....	630 837	30 ".....	189,251 10	55	346,960 35	.....
solid rock.....	103 290	75 ".....	77,467 50	1 45	149,770 50	.....
solid rock (beyond base and slopes).....	22,331	50 ".....	11,165 50	1 25	27,913 75	.....
Trees cut down.....	39	1 00 each.....	39 00	3 50	136 50	.....
Extra haul.....	1,348 860	003 100 ft.....	10,110 45	02	26,977 20	.....
Grubbing, wrought iron.....	15 628	06 lb.....	931 68	08	1,242 24	.....
native timber.....	43 167	12 lin. ft.....	5,180 04	25	10,791 75	.....
Overhaul on crib material.....	1,051.5	55 ton mile.....	578 32	1 00	1,051 50	.....
Underdrains.....	486	50 lin. ft.....	83,250 00	75	864 50	.....
Tunnel timbers.....	665	50 00 ".....	83,250 00	85 00	56,525 00	.....
Tunnels, timber lining.....	553,567	22 50 M.B.M.....	12,455 25	45 00	24,910 51	.....

Tunnels, extra size above standard tender section.	878.72	%	3 00 cu. yd.	\$ 2,456 16	\$	5 98	%	4,895 94
Overhaul on tunnel material.	343		65 ton mile.	222 95		1 00		343 00
Bridges and culverts.								
Timber, native cedar.	183,321		20 lin. ft.	21,998 52		30		54,996 30
Frame timber, box drains.	18,553		32 00 M.B.M.	371 06		32 00		593 69
Iron in culverts.	72,033		06	4,321 64		08		5,762 64
Paving in culverts.	13		80	10 40		2 50		32 50
Excavation in foundations (no coffer-dams).	10,924		60	6,561 00		3 00		32,805 00
Overhaul on construction material (over 4 miles)	4,025.2		55	2,213 86		1 00		4,025 20
				\$559,323 37				\$1,108,421 43
				1,012 21				1,349 62
Extra work, bills rendered (25 per cent. off Welch price).				\$560,335 58				\$1,109,771 05
Totals								\$549,435 47 = 98 %

DIVISION 6.

Clearing.	1,297.97	\$ 55 00 acre.	\$ 71,388 35	\$150 00	\$	194,695 50
Cribbing.	166.19	150 00 "	24,928 50	300 00		49,857 00
Excavation, earth.	382,932	28 "	76,586 40	32		122,538 24
" loose material and hard-pan.	352,557	30 "	93,715 86	50		176,278 50
" solid rock	1,906,046	75 "	571,813 80	55		1,048,325 80
" solid rock (beyond base and slopes)	220,757	50 "	165,567 75	1 45		320,097 65
Trees cut down	18,876	1 00 each.	9,438 00	1 26		23,595 00
Extra haul	37	003 100 ft.	377 00	3 50		1,319 50
Retaining-wall, bank-protection.	6,940,572		52,054 29	02		138,811 44
Cribbing.	26	1 00 cu. yd.	26 00	2 00		52 00
" rock fill.	925	06 lb.	55 50	08		74 00
" wrought iron	5,925	12 lin. ft.	711 00	1 26		1,431 25
Overhaul on crib material	16.6	55 ton mile.	9 13	1 00		16 60
Underdrains	799	50 lin. ft.	399 50	75		599 25
Piling delivered	131,430	12 foot.	15,771 60	32		46,000 50
Pile-driving	35,778	20 "	7,153 60	36		12,522 30
Timber, best-quality cedar	20,023	20 00 M.B.M.	7,400 40	32 00		640 78
Timber, native	431,673	16 lin. ft.	69,067 68	30		129,501 90
Frame timber in trestles (except stringers).	189,746	25 00 M.B.M.	4,743 65	45 00		8,588 57
Frame timber stringers.	13,000	27 00 "	351 00	50 00		650 00
Iron in trestles.	3,880	06 lb.	232 80	08		310 40
Iron in culverts.	151,777	06 "	9,106 62	08		12,142 16
Paving in culverts.	1,070	30 cu. yd.	856 00	9 50		2,675 00
Excavation in foundations (no coffer-dams).	28,633	60 "	17,173 80	2 00		85,899 00
Overhaul on construction material (over 4 miles).	12,480.8	55 ton mile.	6,864 44	1 00		12,480 80
Cribbing, iron.	671	06 lb.	40 35	08		53 68
Cribbing, native timber.	5,886	12 lin. ft.	700 32	25		1,459 00
Track-ties	156,701	15 each.	23,505 15	50		78,350 50
			\$1,223,046 56			\$2,468,965 77
			1,320 62			2,027 49
Extra work, bills rendered (25 per cent. off Welch price).			\$1,229,567 18			\$2,470,993 26
Totals						\$1,241,426 08 = 100.96 %

LIST OF PAYMENTS TO SUB-CONTRACTORS AND VALUE OF WORK DONE BY THEM AS SHOWN BY
SETTLEMENT SHEETS FURNISHED TO US.

	Amount paid.	Value of Work done.	Percentage.
McCall & Wilson	\$ 26,149 70	\$ 424,837 17	6.15
Welch & Kennedy.....	19,086 73	154,599 93	12.34
Burns, Jordan & Welch	129,444 85	696,049 49	18.60
McPhee & Welch.....	42,661 60	133,186 91	32.03
Moran & Hickman.....	15,045 31	149,046 90	10.09
J. W. Moran	3,059 97	73,062 03	11.03
Rankin & Killett.....	13,000 74	199,313 97	6.52
Rankin & Killett.....	36,023 68	513,944 47	7.00
R. A. Nicholson & Co.....	14,812 16	60,611 39	24.44
R. A. Nicholson & Co.....	719 60	54,209 75	1.33
T. E. Cronin.....	13,531 91	116,880 68	11.58
R. E. Paget.....	9,590 32	110,877 35	8.65
Freetling & Stone.....	10,516 13	118,154 31	8.90
A. L. McHugh.....	8,182 94	172,188 45	4.75
H. E. Carleton & Co.....	37,802 18	502,527 08	7.52
John McLeod.....	9,488 87	189,164 44	5.01
Stewart Bros.....	47,520 81	429,471 03	11.06
Norman McLeod.....	13,800 23	99,537 71	13.86
Sheddy & Smith.....	27,052 03	135,922 30	20.64
Kuilaender & Smith.....	10,470 77	122,180 82	8.57
Burns, Jordan & Co.....	35,000 00	575,466 27	6.08
A. E. Griffin.....	37,441 76	725,603 81	5.16
Culleton Bros.....	30,773 23	157,978 01	19.48
Hugh Molloy.....	2,553 68	21,433 89	11.91
	\$598,720 20	\$5,936,248 16	....

Exhibit No. 206.

(Produced by Mr. P. Welch.)

FINANCIAL STATEMENTS OF P. WELCH, CONTRACTOR, AS AT FEBRUARY 28th, 1917.

PROFIT AND LOSS.

1. Profits and Revenues.

Total amount of estimate.....	\$16,475,630 42	
Less cost of work	11,357,733 65	
		\$5,117,896 77
Stores		820,577 79
Boat revenue after deducting expenses		192,683 73
Sawmill sales	\$9,988 58	
Less charges	9,365 42	
		623 16
Stable operations		4,364 10
Blacksmith-shop		896 97
Mess-houses		2,863 50
Bridge-barrels		157 70
Fire-pails, bridge		40 51
Section-house, Cheakamus		110 28
Force account percentage		6,734 68
Equipment and live-stock rental		91,690 96
Discount		2,656 57
Pack-trail		55 34
Ness & Company		6 75
Seton Lake slides		45 87
Outfit sold Rankin		759 73
Pemberton freighting		337 72
Revenue-tax commissions		19 85
Cash order freighting		15,195 65
North Vancouver Station		20 14
Car-barns		324 71
Tool-house, North Vancouver, B.C.		17 68
Reconstruction, Capilano		975 71
North Vancouver gridiron		38 96
Change of buildings, North Vancouver Lumber Co.		113 44
Shelter-sheds		303 68
White Cliff Station		246 90
Road-tax, North Vancouver, B.C.		4 00
Cancelled cheques		8 35
Deductions		66 60
Force bills		348 76
Machine-shop		5,071 22
Percentage on orders		23,604 63
Cedar logs		564 62
C. Press		11 89
Mons sawmill		9,674 12
Prince George freight		33,341 25
Rails, fastenings, etc.		13,178 57
Total profits and revenues		\$6,345,632 86

2. Expenses, Costs, and Losses.

Expense accounts	\$ 397,603 53
P.G.E. Railway Construction Department	440,424 75
Depreciation and loss on outfit and supplies	78,623 43
Sundry outfit	160 85
Sawmill spur	170 42
Timber claim, Lot 1606	749 64
Temporary tanks	642 65
Portable tanks	829 95
Pack-train	1,341 71
Fire Loss Account	8,380 12
Trail camps	137,472 50
J. McGaan	17 33
Rhodes & Sanborn claim	550 92
C. W. Ardery	1,066 54
Robt. Dawson	1 34
B.C. Equipment Company	64 88
Loss on live stock	42,350 60
Mail department	547 86
Outfit for military purposes, J. W. Stewart	1,119 78
Duty deposit	221 77
Timber purchases and sawmill loss	18,385 65
Lamb Bros., logging	16,428 10
Louis Farmer	315 25
Abbotsford outfit	4,859 57
Abbotsford outfit repairs	967 88
P.G.E. right-of-way (sundries)	342 76
Wintering stock (Cunningham & Albi)	1,373 22
Loss on harness and fittings	3,226 60
Accident Fund, Company work	3,068 65
Duty on outfit	4,137 00
Estimate suspense	3,423 96
Interest, Union Bank of Canada loan	382,914 66
Interest on overdrafts	6,125 80
	<hr/>
	\$1,557,969 67
Surplus to balance-sheet	\$4,787,663 19

BALANCE-SHEET.

Assets.

1. Active or Current Assets—

Union Bank of Canada	\$ 408,275 50
Petty cash	882 66
Bills collectable	443,674 78
P.G.E. Railway percentage retained	1,647,563 02
P.G.E. Development Co.	1,697,523 19
P.G.E. Equipment Co.	722,336 19
Transfer accounts	655 70
Meal tickets	583 25
Pay-roll deductions	9 15
Accounts Receivable—	
P.G.E. Engineering Department	\$ 8 61
Canadian Explosives	21 82
G.T.P. Railway	215 03
J. F. Henderson	29 48
Burns, Jordan & Welch, Yale, B.C.	6,877 62
F. Wilson	50 59
Sperry & White	26,707 04
	<hr/>
	33,910 19

Stock, sub-contractors, P.G.E. Railway	\$ 40,000 00	
Inventories	\$71,983 22	
Explosives in storage	1,612 30	
Henderson consignment	1,834 38	
Goods in storage	14 60	
	<u>\$75,444 50</u>	
Less 50 per cent. depreciation and loss	37,722 25	
		37,722 25
Fuel-oil, Squamish		11,323 78
		<u>\$5,044,459 66</u>
Total current assets		
2. Outfit Personal Property, etc.—		
Sundry outfit	\$24,426 77	
Outfit	3,117 13	
Steamers and launches	30,435 25	
Lytton outfit	12,320 00	
Sleighs	1,720 00	
Wagons	117 33	
Office fixtures	6,190 40	
Outfit, Clinton work	3,475 48	
	<u>\$81,802 36</u>	
Less 50 per cent. depreciation and loss	40,901 16	
		40,901 18
3. Passive or Suspense Assets—		
Department of Militia and Defence	\$5,595 13	
Howe Sound & Northern Railway	1,703 82	
		<u>7,298 95</u>
		<u>\$5,092,659 79</u>

Liabilities.

1. Current Liabilities—		
Outstanding cash orders	\$ 54 50	
Pay-rolls unpaid	9,763 92	
Suspense	171 48	
Purchases	16,599 99	
Operating Department	48,674 78	
Interest accrued	22,980 23	
Accounts payable—		
Fraser & McLeod	\$1,778 67	
A. E. Griffin	917 64	
J. C. Williams	825 62	
P.G.E. Railway refund on rails	1,791 41	
E. C. Kaufman	698 00	
Drs. Newcombe and Martin	995 85	
Stewart Bros.	70 29	
	<u>7,077 48</u>	
		105,322 38
2. Proprietors' Accounts—		
Foley, Welch & Stewart Investment Account	\$ 871,000 00	
Less withdrawals	671,325 78	
		199,674 22
3. Surplus from Profit and Loss		\$4,787,663 19
		<u>\$5,092,659 79</u>

NOTE.—An amount of \$90,770.28 is to be deducted from the item of \$199,674.22 as a charge against Mr. J. W. Stewart's private account.

TOTALS AFFECTING BALANCE-SHEET.

Cost of Work.	Contract Account.	Expense Accounts.	Profit and Loss.		Balance Sheet.	
			Dr.	Cr.	Dr.	Cr.
Company..... \$2,003,922 95	.....	....	\$1,179,013 67	\$1,325,067 05	\$6,972,887 46	\$2,106,600 84
Subcontracts..... 9,353,810 70	\$16,475,630 42					
Total..... \$11,357,733 65	11,357,733 65					
To profit and loss.....	\$5,117,896 77	....	....	5,117,896 77	....	....
".....	....	\$397,663 53	397,663 53	....	....	....
Depreciation and loss on outfit and supplies.....	....	....	78,623 43	....	78,623 43	....
					\$6,894,264 03	
Surplus carried to balance sheet.....	....	....	4,787,663 19	....	....	4,787,663 19
			\$6,442,963 82	\$6,442,963 82	\$6,894,264 03	\$6,894,264 03

TRIAL BALANCE AND WORKING FORM BALANCE SHEET, VANCOUVER, B.C., FEBRUARY 28TH, 1917.

Folio.	Description.	Trial Balance.		Cost of Work.		Expense Account.		Profit and Loss.		Balance Sheet.	
		Dr.	Cr.	Company.	Sub-contractors.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
19	Vancouver transfers.....	\$ 534 46						\$ 534 46			
48	Meal tickets.....	538 25						538 25			
51	Headquarters stable.....		\$ 4,364 10						\$ 4,364 10		
57	P.G.E. Construction Department.....	423,638 03						\$ 423,638 03			
59	Sawmill No. 2.....		9,988 58					9,988 58			
75	Sawmill No. 1.....	4,465 42						4,465 42			
84	Headquarters blacksmith-shop.....	886 97						886 97			
104	Drs. Newcombe & Martin.....	965 85									\$805 85
113	Newport Dock.....									1,234 85	
117	Sundry outfit.....	1,234 85						160 85			
118	Live-stock expense.....	8,654 18									
119	P.G.E. Development Co.....	1,695,130 36								1,695,130 36	
130	Cheakamus Sawmill Spur.....	170 42						170 42			
131	Tie account.....	85,546 79									
132	Live-stock range expense.....	625 87									
133	Live-stock, moving.....	404 59									
134	Wagon-road crossings.....	920 42									
137	Timber cruising.....	718 92						749 64			
138	Timber claim, Lot 1606.....	749 64									
137	Bridging.....	528,765 99						642 65			
188	Guard-rail account.....	674 80									
189	Temporary tanks.....	642 65									
189	Bridge fire pails.....		157 70						157 70		
190	Water-supply, mile 1.18, A.L.S.S.....		40 51						40 51		
191	" " 13.6 ".....	1,994 45									
191	" " 25.84 ".....	3,149 27									
194	" " Squamish.....	581 01									
195	" " D'Arcy.....	3,337 72									
195	" " Pemberton.....	3,177 19									
195	Right-of-way fencing.....	3,823 61									
195	Cattle-guards.....	12,001 83									
196	Water-supply, Lillooet.....	517 24									
196	Syphon, Station 126 x 80, S.L.S.....	4,547 60									
196	Culverts and track boxes.....	10 49									
196	Cheakamus Station.....	3,280 26									
196	Crossing-signs.....	427 50									
196	Station-signs.....	128 17									
196	Whistle-signs.....	4 27									
196	Mile-posts.....	113 61									
196	Flanger-signs.....	161 36									
196	Portable stations.....	606 37									
196	Danger-signs.....	4,522 96									
197	Section-house, Cheakamus.....	1 17									
198	Tool-houses.....		110 28						110 28		
199	Portable water tanks, Silicon Reserve.....	1,229 46									
201	" " mile 7.63, B.S.S.....	375 41									
201	" " 12.47, B.S.N.....	228 05									
201	Stores.....		820,577 79						820,577 79		

Carried forward

TRIAL BALANCE AND WORKING FORM BALANCE SHEET, VANCOUVER, B.C., FEBRUARY 28TH, 1917—Continued.

Folio.	Description.	Trial Balance.		Cost of Work.		Expense Account.		Profit and Loss.		Balance Sheet.	
		Dr.	Cr.	Company.	Sub-contractors.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
	<i>Brought forward</i>										
	A. E. Griffin & Co.	\$722,160 88				\$722,160 88					
	P. Greenwood, the contract.	277 95				277 95				\$ 215 03	
	G.T.P. Railway Co.	215 03									
	Joe Frank, the contract.	1,176 60				1,176 60				1,834 38	
	Henderson consignment.	1,834 38								20 48	
	J. F. Henderson	29 48									
	S. A. Johnson, the contract.	1,134 40				1,134 40					
	Kullander & Smith	122,687 26				122,687 26					
	Live stock	83,215 85						\$42,350 60			
	Cattle sales		40,655 25								
	Machine-shop		210 00					547 86			
	Machine-shop		105 57							\$ 105 57	
	Machine-shop equipment		10,795 55					4,965 65			
	Hugh McLeod	21,423 89				21,423 89					
	A. L. McHugh	172,188 45				172,188 45					
	Norman McLeod	99,537 71				99,537 71					
	John McLeod	189,158 67				189,158 67					
	L. O. Nyberg, the contract.	11,134 69				11,134 69				24,426 77	
	Outfit, sundry equipment.	24,426 77									
	Outfit, rails	32,813 63									
	Outfit, cars and car-wheels.	12,069 88									
	Outfit, rails and fastenings.	464 80								3,117 13	
	Outfit, sales		42,231 18								
	Outfit of J. W. Stewart, military purposes	1,119 78						1,119 78			
	Per centages on orders.	110,877 85				110,877 35					
	McC. E. Paget	9,622 22				9,622 22					
	File-driving Camp No. 2	12,327 59				12,327 59					
	" No. 1	5,318 38				5,318 38					
	Porter & McLeod, the contract.	540 86				540 86					
	J. A. Pitlock, the contract.	392 80				392 80					
	J. Raymond, the contract.		171 48								\$ 171 48
	Suspense	135,922 30				135,922 30					
	Sheddy & Smith	429,439 6				429,439 68					
	Stewart Brothers	5,496 63				5,496 63					
	Stiglitz & Mannell, the contract.	243 95				243 95					
	Henry Swanson, the contract.	30,435 25								30,435 25	
	Stearns' laundries and scows	6,747 45									
	Automobiles		70 20								70 20
	Stewart Brothers, supplies sold.	5,726 00									
	Transportation	2,085 55									
	L. Vibbard	14 60								14 60	
	Goods in storage 1406 Davie Street.										
	<i>Vancouver Office.</i>										
	A. J. Beaudette	9,650 89				9,650 89					
	Purchase Ledger		16,599 99								16,599 99

Folio.	Description.	Trial Balance.		Cost of Work.		Expense Account.		Profit and Loss.		Balance Sheet.	
				Company.	Sub-contractors.						
		Dr.	Cr.			Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
	<i>Brought forward.</i>										
366	Rent	\$ 9,155 00				\$9,155 00					
368	Engineering expense.	1,902 80				1,902 80					
375	Duty, new outfit.	4,137 00						\$ 4,137 00			
	Outfit taxes.	329 22				329 22					
376	Abbotsford shipment expense.	647 38				647 38					
83	A. G. Creelman & Co.	8,327 13		\$8,327 13						\$1,647,563 02	
6	P.G.E. Railway retained account.	1,647,563 02									
	<i>Bills Receivable.</i>										
	Blouet, Stewart & Welch.	150,000 00									
	P.G.E. Railway, Victoria.	48,674 78								443,674 78	
	Estimate.	245,000 00								408,275 50	
	Union Bank of Canada.	408,275 50									
	Estimate suspense.	3,423 96									
	Prince George freight.		\$ 33,341 25						\$33,341 25		
	Sperry & White.	26,707 04								26,707 04	
	Operating Department (P. Welch).		48,674 78								\$48,674 78
	Interest accrued.		22,980 23								22,980 23
	Interest, Union Bank of C. Loan.	382,914 66						382,914 66			
	Interest on overdrafts.	6,125 80						6,125 80			
	Contract account.	40,000 00									
	Stock, sub-contractors, P.G.E. Railway.		16,475,630 42								
	Foley, Welch & Stewart, investment account.		\$71,000 00								
	Totals.	\$20,067,012 95	\$20,067,012 95	\$2,003,922 95	\$9,353,810 70	\$397,663 53		\$1,179,013 67	\$1,325,067 05	\$4,972,587 46	\$2,106,600 84

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1917.

